# THE A B C OF BOOKKEEPING

DICKSEE

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BY

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# PREFACE

The present volume has been compiled primarily for the use of schools, and in preparing it my chief object has been to indicate a course of instruction which, when completed, will not represent so much time wasted. It may be thought that this is no very exalted ambition; but, on the other hand, it is beyond dispute that there are a great number of persons of considerable experience in educational matters who maintain that any time devoted to teaching Bookkeeping in schools is time lost, and it is also incontestable that a number of experienced business men are equally sceptical as to the practical value of any instruction so imparted.

The present work is, accordingly, an attempt to achieve that which I believe had not yet been accomplished; namely, to map out a course of instruction which, while it is of real educational value as a course of mental gymnastics, will equally be found to be of some utility in the larger field of business life. My aim, accordingly, has been to emphasise the importance of the study of Bookkeeping being pursued as an inquiry into the methods—naturally varying from time to time, and developing as time went on—adopted by business men for the record of their business transactions, explaining the reasons underlying these various methods, and exactly how, and to what extent, they fulfil their desired object. In particular, it has been my aim to point out that there are several alternative methods from which selection has to be made to meet the requirements of special circumstances, rather than (as is so often stated) one "correct" method. So taught, I am convinced that the educational value of the study of Bookkeeping will be found at least equal to

that of (say) Geometry; in that, while it tends to develop the same faculties of ingenuity and adaptability to circumstances, it possesses the further advantage of dealing with concrete rather than abstract things, and is for that reason much more readily comprehended by the ordinary schoolboy.

I have not been so very much concerned with the more utilitarian aspect of the matter, for my view is that if a boy's mind has been well trained in school, he should (under favourable circumstances) experience no difficulty later on in rapidly adapting himself to his environment, whatever it may be. At the same time, there can be little doubt that the proper study of Bookkeeping in schools will save much valuable time in after life, and, in particular, that it will serve the purpose of familiarising the student, at his most receptive age, with the habits of thought common among business men. Even those who have no intention of following business as a career can certainly lose nothing, and may gain much, by acquiring a habit of this description.

In a work such as this it has obviously been impossible to aim at anything approaching completeness. The problem has rather been how to distinguish between that which may usefully be studied in school, and that which may more profitably be postponed until a later stage. It is clear that upon such a matter as this there is scope for considerable differences of opinion; but there can, I think, be little serious doubt that those who have really mastered the contents of this work will find no difficulty in their subsequent studies of the more advanced problems connected with the subject.

In conclusion, I should like to place upon record my firm conviction that only harm can come of attempting to teach Bookkeeping to boys who are too young to discern the fundamental principles underlying the application of its theory to practical affairs. Treated merely as an exercise of memory it is of but little value for that special purpose, and serves to create at the outset an entirely incorrect impression of the whole subject. Bookkeeping is not a series of hard-and-fast rules, to be learned and rigorously conformed to under all circumstances; but rather

the science of absorbing, classifying, and recording facts, so that their general tendency and ultimate results may readily be perceived at any subsequent time. It is obvious, therefore, that before its study can be pursued with any prospect of advantage, a certain stage of mental development must have been reached. When, however, that stage has been reached, the study of Book-keeping will, I think, be found of particular value, as tending to show that there is as much scope for patience, for ingenuity, and for clear-headedness in the field of practical business affairs as in the more confined space of the class-room or the laboratory.

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# PART I

## CHAPTER I

### THE THEORY OF DOUBLE ENTRY

1. BOOKKEEPING—or Accounting, as it is of late more usually called—is the recording in a suitable form of business transactions. The question as to whether bookkeeping is a science or an art is one that has often been discussed, but perhaps never conclusively decided. Undoubtedly bookkeeping, as now practised, is based upon certain principles of a scientific nature, but it would be overstating the case to regard the whole practice of bookkeeping as a science. On the other hand, it has little in common with the arts, save that the application of these principles to their particular environment affords scope for some inventive faculty and for considerable ingenuity. Upon the whole it is thought that bookkeeping may be more accurately described as a craft, involving as it does the due application of certain admitted scientific principles, and requiring—if satisfactory results are to be arrived at—a considerable amount of technical skill on the part of the practitioner.

2. A consideration of the form most suitable for the bookkeeping record to take constitutes a lengthy inquiry which will be pursued throughout the whole of this volume. For present purposes it may be stated that the form of record will vary materially according to the general class of transactions to be recorded, *i.e.* according to the nature of the business; and further, that even similar businesses will by no means necessarily find it equally convenient to employ precisely the same methods of accounting. In general terms, however, it may be stated that the fundamental objects to be aimed at are identical in all cases, and are—

(1) To record the maximum amount of needful information with the minimum amount of clerical effort;

(2) So to organise methods of record that these records may be readily capable of verification;

(3) To secure the above results with the utmost practicable promptness.

3. The expression "business transactions" requires no definition to the business man, but to those unversed in business some further explanation is desirable, that the real nature of the problem may be duly appreciated. In the great majority of businesses transactions are embarked upon primarily with the object of making a profit, and, accordingly, it is one of the foremost functions of accounting (as applied to most concerns) that the amount of profit or loss, made from time to time, should be capable of being ascertained without delay, and without undue effort. In a minority of concerns—as, for example, charitable, literary, scientific, and other similar institutions—the object is not so much to make a commercial profit as to further a particular cause, or field of inquiry; and, for the sake of distinction, such concerns may be described as non-commercial concerns. But in all save for the very smallest and least important concerns, the nature of the problem is such that a number of persons, greater or less according to circumstances, combine together to further the objects of the undertaking. Hence it follows that, if the transactions embarked upon are to be duly regarded, they will, in the majority of cases, be found to be transactions recording the dealings of individuals with property not their own, which, they are accountable for to some central authority, which, for convenience, may be described as "the Proprietary." This fact is recognised in the principle underlying all accounting, of regarding the record *not* as a record of the transactions of any one person—and *à fortiori* not as recording the transactions of the Proprietary—but as a complete record prepared by an impartial person, or persons, of the whole of the transactions entered into affecting the property or rights of the Proprietary. In a very large undertaking, where it is obvious that no one person is capable of entering into all the business transactions that take place, or even of recording such transactions as they take place, probably little difficulty will be experienced in following this idea; but in the case of a quite small business its application is apt to give rise to confusion. It is especially important that it should be borne in mind that the principle upon which accounts are framed is not that they are the record kept by the Proprietary of its own

transactions, but rather that they are the record kept by impartial persons appointed to that duty of transactions entered into by agents on behalf of the Proprietary.

4. The term "transactions" is itself open to misconstruction, and may therefore be further explained with advantage. The word is often regarded loosely as being synonymous with "events," or "things that happen," but its precise significance is more clearly expressed by the term "cross dealings." Even a superficial inquiry into the fundamental nature of business transactions will suffice to show that, whatever their precise effect, they are in all cases a *transfer* of some form of wealth from one party to another. The wealth may be in the form of money, securities representing money (*i.e.* cheques, bank notes, etc.), goods, or services (skilled or unskilled); but whatever its precise form, the effect in all cases will be that the transfer has resulted in some party receiving some form of wealth, and some other party imparting it. So far as the transactions relating to any one business are concerned, it will ordinarily—but not invariably—follow that that business is either the receiver or imparter of the benefit, that is to say, it has either benefited, or imparted a benefit to some other party, through the transaction. If, however, the matter be examined more closely, it will generally be observed that, inasmuch as all transactions embarked upon by a business are embarked upon through its agents, the immediate effect is not for the business *per se* (*i.e.* the Proprietary) to receive or impart the benefit, but for some agent of the business itself to do so.

5. To take a few examples: (1) A business received (say) £50 from a customer, X. Superficially this is a transaction of the money value of £50, the benefit of which is imparted by X. to the business. Viewed more closely, it will be observed that it is not the Proprietary that immediately benefits by this transaction, but its cashier, who is the individual actually receiving the money from X. The precise nature of the transaction is thus that the cashier of the business receives, and X. imparts, a benefit of the money value of £50. (2) Goods to the value of £50 are received by a business from Y. Here, superficially, the nature of the transaction is that Y. has imparted to the business a benefit to the money value of £50, by delivering to it goods of that value. Viewed more closely, however, it will be found that the goods themselves have actually been received by the

storekeeper (or warehouseman) of the business, who, in his turn, becomes accountable to the business for their disposition. It thus becomes apparent that the true nature of the transaction is that the storekeeper (or warehouseman) receives, and Y. imparts, the benefit of a transaction of the monetary value of £50. (3) Z. has performed services for a business (*e.g.* as a solicitor, accountant, valuer, or otherwise) of an agreed monetary value of £50. Here again, viewed superficially, the nature of the transaction is that the business has received, and Z. has imparted, the benefit of a transaction valued at £50. Viewed more closely, it is difficult in this case to find any individual employee of the business who may be regarded as having personally received the benefit of the transaction, inasmuch as it has not involved the transfer of any tangible property which the receiving party has further to account for in due course. In such a case there is not ordinarily anything to be gained by regarding any individual as having been the recipient of the benefit of the transaction, although in exceptional cases, as for example, when the services have been rendered for the benefit of some branch or department of the business, that branch (or department) may be charged therewith, and regarded as accountable therefor. More ordinarily, however, the practice is to charge these transactions which have not resulted in the acquisition (or similarly, in the parting with) any tangible property, as received or imparted by the Proprietary itself. That the sum total of such transactions may be analysed and shown under suitable headings, it is customary for them to be regarded as being received by and chargeable against an account suitably headed to indicate the nature of the services involved. To preserve the continuity of the idea of personal responsibility on the part of some agent for each transaction, it may be assumed that these accounts represent accounts opened with agents respectively responsible for transactions recording the receipt or imparting of benefits corresponding to the account heading. Thus an account headed "Legal Charges" may be regarded as representing the total value of charges for legal services rendered to the business in consequence of instructions given by some agent or manager. It need, perhaps, hardly be stated that, for the proper conduct of any business, it is important that the acts of agents should be as carefully supervised in connection with these transactions as in connection with more tangible transactions involving the receipt *per contra* of money or of goods.

6. It will be observed that, properly regarded, each business transaction is capable of being recorded as a transfer of money or money's worth from one party to another; whence it follows that a complete record of what has taken place involves the double record of the receipt of the benefit by one party, and of the imparting of that benefit by another party; and, further, that if this record be correctly made, the aggregate amount of benefits recorded as having been received by certain parties will at all times equal the aggregate amount of benefits recorded as having been imparted by certain other parties. It is upon the recognition of this principle that the whole superstructure of "Double Entry Bookkeeping" is reared. As will be explained hereafter double-entry bookkeeping is neither more nor less than the complete record of every transaction that takes place from both points of view—a process which involves the building up of two sets of records, benefits received and benefits imparted, which will, in all cases, amount to the same aggregate total if the record has been made correctly.

7. The next point calling for consideration is the fundamental principle underlying all business, and invariably recognised in bookkeeping transactions—that there can be no such thing as an out-and-out gift. A benefit received carries with it a corresponding liability to make a return of equal value; not necessarily in precisely the same form as that in which the benefit was received, but in some form capable of being assessed as of an equal money value. Thus the receipt by the cashier of a business of monies due to that business by its customers, while it operates as a discharge of the respective indebtednesses of the customers, merely transfers those indebtednesses to the cashier. The customers, it is true, are no longer debtors of the business; but in their place the cashier has become a debtor for an amount equal to the total amount received by him, and he will remain a debtor therefor until the total amount so received has been duly handed over by him, or duly expended by him for the benefit of his employers in accordance with instructions received. Similarly, the receipt by a business of certain goods, while it involves upon the storekeeper (or warehouseman) a responsibility thereafter to account for those goods to his employers, involves an equal responsibility upon the business to account to the person from whom those goods have been received for their money value. Thus it follows that every time the assets of a business are increased by the

receipt of benefits, either (*a*) other assets are reduced to a corresponding extent, or (*b*) liabilities are increased to a corresponding extent. It will thus be seen that, properly regarded, every business transaction capable of being recorded in books of account involves merely some reshuffling of responsibilities.

8. At first this may seem to be a somewhat startling proposition, and it may well be asked, if all business transactions are pure reshuffles, how can any one make a profit, which is apparently the primary object with which most businesses are undertaken? The explanation is as follows: Let us suppose that a business has in stock goods that have cost £50, and that these goods have been sold for £60 to a customer, A. The storekeeper having properly parted with goods to the value of £50, may be regarded as having reduced his responsibility to his employers by that sum. A. having received goods for which he has agreed to pay £60, may be regarded as having received from the business a benefit of the monetary value of £60, and *primâ facie* the odd £10, although obviously a profit on the transaction, may seem, from a purely bookkeeping point of view, to be a mere difference in prices, forming an obvious exception to the rule enunciated in the preceding paragraph. Viewed more closely, however, it must be clear that if the transaction has resulted in a profit of £10, the Proprietary—who alone are entitled to the profits of the business, and who up to this stage have not received this profit—must be regarded as having done something which has resulted in the business being able to increase its assets by £10 by converting stock formerly valued at £50 into a debt now valued at £60. Or, to put it another way, a profit having been made, and not having yet been accounted for by the business to the Proprietary, the result of the transaction is that the business, or its agents, owes this sum of £10 to the Proprietary. This is another of the fundamental principles that will be found to be carried throughout all bookkeeping records. Wherever a transaction results upon balance (*i.e.* taking assets and liabilities together) in a profit, *pro tanto* the liability of the business to the Proprietary is increased by the amount thereof. *Per contra*, wherever a transaction has resulted upon balance in a loss, the Proprietary are regarded as owing the amount thereof to the business. Periodical settlements are effected, and all the profits and losses are brought into one account—commonly known as the Revenue, or Profit and Loss Account—and the ultimate balance is

arrived at. If the balance be a profit, *i.e.* an excess of profits over losses (including expenses), the amount thereof is due by the business to the Proprietary, representing as it does an increase in wealth. *Per contra*, if the result be a loss, owing to losses and expenses exceeding profits, the balance—representing as it does a diminution of wealth—is commonly regarded as a debt due to the business by the Proprietary, although in practice an actual settlement in money is not always insisted upon, or even enforceable.

9. The next point calling for consideration is that, inasmuch as all benefits imparted in business have afterwards to be returned in some form or another, it follows that there is a mutuality about all accounts that may be kept. In the first instance, an account may be a mere recital of benefits received, but sooner or later it will have to be settled by a benefit imparted in return; and, *per contra*, an account which for a time may record nothing but benefits imparted will only be settled when a corresponding benefit has been received in exchange. As a matter of calculation, the difference between the benefits received and benefits imparted might well be expressed by the mathematical signs + and −, and indeed, it will often help the student to a correct appreciation of the position so to regard the twofold nature of every account. But, as in arithmetic, it is difficult to arrive rapidly at a summation of + and − figures, so in accounts there will be practical objections to this method of record, although it is in point of fact occasionally employed under suitable circumstances, the minus figures being distinguished from the plus figures by being recorded in red, instead of black, ink. Under normal circumstances, however, it is found far more convenient to record the plus transactions and the minus transactions in two distinct accounts, which, however, are kept side by side, so that at any time the balance may be struck between them, as shown below—

| Date. | Particulars. | £ s. d. | Date. | Particulars. | £ s. d. |
|---|---|---|---|---|---|
| | | | | | |

Sometimes the left-hand account occupies the whole of the left-hand page, and the right-hand account the whole of the

right-hand page; while at other times both pages are sub-divided so that both left-hand and right-hand accounts are upon opposite sides of the same page. No question of principle is here involved. It is merely a matter of convenience, and is determined by the amount of space probably required for the record of details, as compared with the available size of the page. It is the invariable rule to place upon the left-hand side of the page the record of all transactions the benefit of which has been received by the account, and upon the right-hand side those transactions the benefit of which has been imparted by the account. The left-hand side is commonly spoken of as the "Dr." (or "debit") side, and the right-hand as the "Cr." (or "credit") side. The origin of these terms will be easily understood if it be borne in mind that *primâ facie* the individual receiving the benefit of a transaction has thereby become the debtor of the party by whom that benefit was imparted, while, similarly, an individual imparting the benefit of a transaction thereby becomes the creditor of the party who benefited thereby.

10. Thus entries upon the debit side of an account represent (*a*) benefits received by that account, and (*b*) benefits imparted by the business to that account—*i.e.* some form of expenditure upon the part of that business. In a secondary sense they represent a debt due to the business from that account in return for the expenditure incurred by the business; and should there be no outside party from whom such a sum can legally be recovered, they represent unproductive expenditure, or a loss which the business may charge against the Proprietary, and thus still a debt due to the business. It is important, however, that the term "debt" should not here be taken too literally, for often the expenditure is the record of money spent in the acquisition of property, which property is owned by the business, and is in the safe custody of some agent of the business. Under those circumstances it is only in a conventional sense that the agent can be regarded as a debtor for the amount of the original expenditure. What he is primarily accountable for, as is shown by the heading of the account, is the property itself, the intrinsic value of which it may be difficult to determine from time to time.

11. Expressed somewhat differently, it may be stated that all expenditure is recorded upon the debit side, and that such expenditure must be represented by either (*a*) a debt due by some

outside party, (*b*) actual property in the possession of the business under the safe custody of one of its agents, (*c*) a loss chargeable against the Proprietary; and that all credit entries are similarly benefits received by the business, in respect of which either (*a*) the business is under liability to make a corresponding repayment to some outside party, or (*b*) the business is under no liability to make a repayment to any outside party, and has therefore made a profit for which it is accountable to the Proprietary. It is possible that, theoretically, actual property might be of a minus value, and therefore represented by a credit entry, but this is only a superficial view; property can only be worth less than nothing if its possession entails upon the owner some responsibility or liability, in which case it would be more correct to say that the credit entry represented the value of this liability, rather than the minus value of the property.

12. It cannot be insisted too clearly that the function of accounts is perpetually to maintain the balance in the record of all transactions that may be embarked upon, bearing in mind the fact that inasmuch as all profits earned belong to the Proprietary, every transaction involving a profit increases the indebtedness of the business to the Proprietary, while, *per contra*, as the business is entitled to be indemnified by the Proprietary against losses, all expenditure incurred by the business that has not resulted in the acquisition of either debts or property may properly be charged against the Proprietary. Thus, whatever the nature of the transactions may be, and however complicated they may be, their correct record will always involve equal amounts being recorded on the debit and credit sides of suitable accounts; with the result that so long as the record is correct, the aggregate amount of entries on the debit side must invariably equal the aggregate amount of entries on the credit side.

13. From time to time it is customary to prepare an abstract or summary of the entries, with a view to ascertaining whether this agreement exists. This abstract is called a "Trial Balance," because, inasmuch as a non-agreement of the debit and credit totals would indicate that the record must have been incorrectly made, the agreement of the totals is regarded conversely as some evidence of the correctness of the record. It may be pointed out, however, that the mere agreement of the Trial Balance totals is not conclusive evidence of the accuracy of the

bookkeeping record. Thus, entire transactions may be omitted, or recorded at wrong monetary values, or recorded as affecting accounts other than those actually affected; while, on the other hand, altogether fictitious transactions may be recorded in the books, and so long as the record has been made with clerical accuracy the agreement of the Trial Balance will in no way be affected thereby. Yet again, it is possible that, by a coincidence, errors upon the debit side of certain accounts may be exactly compensated by others of an equal monetary value upon the credit side. Such coincidences ("compensating errors") are by no means unheard of, although they do not often arise in practice. It is common, however, for what is at first thought to be a small discrepancy, indicated by a slight difference in the Trial Balance totals, to be found upon further inquiry to have been caused by a number of inaccuracies—some perhaps very much larger in amount—which nearly compensate each other, the amount by which they fail to exactly compensate being alone apparent in the Trial Balance.

Another, and almost equally useful, function of the Trial Balance is that, being a summary of all the accounts, it is a complete statement of all those transactions that have taken place that have not been settled in the ordinary course of business. It is thus convenient, as providing, even in the case of a very large concern, a concise statement of all outstanding matters from which the usual periodical statements of account may readily be prepared.

# CHAPTER II

## DEBIT AND CREDIT

14. It has already been stated that the principle underlying all bookkeeping records is to charge (or debit) some account with all benefits received, and to discharge (or credit) some other account with all benefits imparted, as a result of the transaction to be recorded. Every transaction that arises in business, being in the nature of a transfer of some form of wealth from the ownership, control, or custody of some party to some other party, is capable of being thus recorded. A few examples will, however, serve to illustrate the principle better than much explanation.

15. A. B., being about to start in business on his own account, and having a capital of £1000, pays that amount into the London and County Bank, with instructions to them to open an account for his business in the name of A. B. & Co., and to credit the £1000 to such account. In the books of the London and County Bank the account to be debited would be the account of the cashier actually receiving the money from A. B. (say X.), as X., having received this money from A. B. on behalf of his employers, is accountable therefor, and until he has so accounted may properly be regarded as a debtor to the Bank. The account to be credited will be A. B. & Co., for, although the money has actually been paid to the Bank by A. B., he has given instructions that it is to be regarded as having been received from A. B. & Co., and is to be applied in such manner as they may direct. The accounts in the Bank's books would thus appear as follows :—

*Dr.* X. CASH ACCOUNT. *Cr.*

| | | £ | *s.* | *d.* | | | £ | *s.* | *d.* |
|---|---|---|---|---|---|---|---|---|---|
| | To A. B. & Co., per A. B. . . . | 1000 | 0 | 0 | | | | | |

| *Dr.* | A. B. & CO. | | | | | | | | *Cr.* |
|---|---|---|---|---|---|---|---|---|---|
| | | £ | *s.* | *d.* | | | £ | *s.* | *d.* |
| | | | | | | By Cash, per A. B. | 1000 | 0 | 0 |

16. In the books of A. B. & Co. the transaction would be recorded thus: A. B. having parted with £1000, the benefit of which has been received by A. B. & Co.; open an account in the name of A. B. and credit him with £1000. The account to be debited in A. B. & Co.'s books will be the London and County Bank, who have actually and directly received the benefit of the transaction, and have still to account therefor. Thus, until something further takes place, the London and County Bank is a debtor of the business for £1000, and A. B. is its creditor, the accounts showing as follows:—

| *Dr.* | LONDON AND COUNTY BANK. | | | | | | | | *Cr.* |
|---|---|---|---|---|---|---|---|---|---|
| | | £ | *s.* | *d.* | | | £ | *s.* | *d.* |
| | To A. B., Capital | 1000 | 0 | 0 | | | | | |

| *Dr.* | A. B., CAPITAL ACCOUNT. | | | | | | | | *Cr.* |
|---|---|---|---|---|---|---|---|---|---|
| | | £ | *s.* | *d.* | | | £ | *s.* | *d.* |
| | | | | | | By London and County Bank (*or* Cash) . . . . | 1000 | 0 | 0 |

17. If A. B. is in the habit of keeping private accounts, in addition to the accounts that he proposes to keep for the business of A. B. & Co., the above transaction, as recorded in these personal accounts, would take the following form, assuming that A. B. found the £1000 to pay into the business Bank Account by borrowing it from C. D. In this case the benefit of the transaction has been imparted by C. D., who has accordingly become the creditor of A. B. for £1000. It is thus necessary to open an account for C. D. in A. B.'s books, and to credit him with £1000. If A. B. had handed the money over to his own bankers, he would naturally have debited their account with the amount; but if (as is here supposed) it is handed over direct to the bankers of A. B. & Co., the name of the account must indicate who is responsible to A. B. as having received the benefit of the transaction at his hands. The London and County Bank are not responsible to A. B., but to A. B. & Co., and it would therefore be incorrect for A. B. to debit the London and County Bank, although in point of fact the money was actually handed to them. Instead he debits A. B. & Co., on whose behalf he made the payment to the bank, because it is to A. B. & Co. that he looks for eventual repayment of the amount so advanced. It will thus be seen that although in many cases the actual recipient of the benefit is the party to be debited, where the actual recipient has received *on behalf of some other party*, it is the party on whose behalf he has received the benefit that is debited; the reason being that the debit (or charge) is properly made against the account that is looked upon as being accountable for, and liable to refund, the benefit imparted to it. The accounts affected by this transaction in the private books of A. B. would appear as follows :—

*Dr.* A. B. & CO. *Cr.*

| | | £ | *s.* | *d.* | | | £ | *s.* | *d.* |
|---|---|---|---|---|---|---|---|---|---|
| | To Cash . . . . | 1000 | 0 | 0 | | | | | |

*Dr.* C. D. *Cr.*

| | | £ | *s.* | *d.* | | | £ | *s.* | *d.* |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | By Cash . . . . | 1000 | 0 | 0 |

18. Suppose A. B. & Co. purchased from E. F. goods to the value of £100. In the books of E. F. the account to be charged (or debited) will be that of A. B. & Co., to whom the goods have been delivered, and who therefore have received the benefit of such delivery. The account to be credited (or discharged) will be that which was formerly held accountable for the goods while they remained in stock at E. F.'s warehouse. That account might be in the name of E. F.'s stock-keeper or warehouseman, but it is customary for the heading of the account to indicate the nature of the property, rather than the identity of its custodian. The account to be credited would therefore ordinarily be an account indicating (in general terms) the nature of the goods; or the more general term "Goods" might be employed to cover all sales, without regard to their precise nature. The transaction in E. F.'s books would thus be recorded as follows:—

*Dr.* A. B. & CO. *Cr.*

| | | £ | *s.* | *d.* | | | £ | *s.* | *d.* |
|---|---|---|---|---|---|---|---|---|---|
| | To Goods . . . | 100 | 0 | 0 | | | | | |

*Dr.* GOODS ACCOUNT. *Cr*

| | | £ | *s.* | *d.* | | | £ | *s.* | *d.* |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | By A. B. & Co. . | 100 | 0 | 0 |

19. In the books of A. B. & Co. the same transaction would be viewed thus: The account to be charged (or debited) will be the account opened for dealing with property of this particular class, which may be either a general one (*e.g.* "Goods") or more particularised with a view to more conveniently fixing responsibility, *e.g.* "Goods at Wharf Account," "Wine Account," etc. The value of the goods is charged to this account, as indicating that the responsible person—whoever he may be—has received the value of those transactions, and must be held accountable therefor in due course. The account to be credited will be the account of E. F., who, by reason of having delivered these goods to A. B. & Co., has become their creditor for the value thereof. These transactions are shown in the books of A. B. & Co. as follows:—

*Dr.* GOODS ACCOUNT. *Cr.*

| | | £ | s. | d. | | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| | To E. F. . . . | 100 | 0 | 0 | | | | | |

*Dr.* E. F. *Cr.*

| | | £ | s. | d. | | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | By Goods Account | 100 | 0 | 0 |

20. Supposing A. B. & Co. pay E. F. by a cheque drawn on the London and County Bank for the value of the goods mentioned above. In A. B. & Co.'s books the nature of the transaction is that there is a transfer of wealth from the London and County Bank to E. F. E. F., as receiving the benefit of the transaction, is debited, and this charge, when set off against his original credit for the value of the goods received from him,

effects a settlement of the account, the benefits imparted by E. F. having exactly the same monetary value as those now imparted to him. The account to receive credit from the transaction is the London and County Bank, which having, in accordance with instructions received from A. B. & Co., paid over to E. F. the sum of £100, is entitled to rank as their creditor for that amount, or (in this case) to set off the £100 so paid away by them against the £1000 originally received by them. At this stage, therefore, the indebtedness of the London and County Bank to A. B. & Co. has been reduced from £1000 to £900. The accounts in A. B. & Co.'s books will then appear as follows, the items in italics being those entered to record transactions prior to that immediately under consideration :—

*Dr.* E. F. *Cr.*

| | | £ | s. | d. | | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| | To Cash[1] . . . | 100 | 0 | 0 | | *By Goods* . . . | 100 | 0 | 0 |

*Dr.* LONDON AND COUNTY BANK. *Cr.*

| | | £ | s. | d. | | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| | *To A. B., Capital* | 1000 | 0 | 0 | | By E. F. . . . | 100 | 0 | 0 |

21. In the books of the London and County Bank, A. B. & Co. will be debited (or charged) with the value of the cheque paid to E. F. in accordance with their instructions ; and A. B. &

[1] This form of wording is more usual than "To London and County Bank," as in accounting it is not usual to distinguish between payments made by money, bank notes, cheques, money orders, etc. All are regarded as "Cash."

Co.'s account in the London and County Bank's books will thus now appear as follows, showing that the Bank are still liable to A. B. & Co. for £900 :—

*Dr.* A. B. & CO. *Cr.*

| | | £ | *s.* | *d.* | | | £ | *s.* | *d.* |
|---|---|---|---|---|---|---|---|---|---|
| | To Cash to E. F. | 100 | 0 | 0 | | *By Cash, per A. B.* | 1000 | 0 | 0 |

22. The account to be credited in the Bank's books will be the account of the cashier who has actually paid the cheque, say Y. ; or if the cheque, instead of being presented over the counter for payment, has been paid by E. F. into his bank (say, Lloyds Bank Limited), then it is probable—indeed, practically certain—that no money would pass between the two banks at the time, but the London and County Bank would credit Lloyds Bank with £100, a settlement between the two banks being made at some more convenient time. The account to be credited with the transaction in the London and County Bank's books, if the cheque were presented for payment over the counter by E. F., would be as follows :—

*Dr.* Y. CASH ACCOUNT. *Cr.*

| | | £ | *s.* | *d.* | | | £ | *s.* | *d.* |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | By A. B. & Co. to E. F. . . . . | 100 | 0 | 0 |

23. If, on the other hand, the cheque had been presented for payment through Lloyds Bank, the record would be as follows :—

| *Dr.* | LLOYDS BANK. | | | | | | *Cr.* | | |
|---|---|---|---|---|---|---|---|---|---|
| | | £ | s. | d. | | | £ | s. | d. |
| | | | | | | By A. B. & Co. to E. F. . . . | 100 | 0 | 0 |

**24.** It will, of course, be understood that it is not customary for banks to settle every transaction that may take place between them by an actual remittance of money. Each bank has numerous transactions with every other bank—some in its favour, some against it. The ordinary practice is for a settlement to be arrived at daily in respect of all such transactions by the Bank in debit handing a cheque on the Bank of England to the Bank in credit.

**25.** In the books of E. F., the account to receive credit for the transaction will be the account of A. B. & Co., from whom the remittance comes. The account to be charged (or debited) will be that of the cashier (or banker) to whom the remittance is actually paid over. In every business an account is kept, called a "Cash Account," which is debited with all monies received by the business, and credited with all monies paid out. The account is thus kept on precisely the same lines as though it were the personal account of the cashier. With a properly organised business there will doubtless be a cashier, through whose hands all these money transactions pass, but whether that be so or not, it is usual—and, indeed, very necessary—that the Cash Account should be kept in this form, unless, indeed, the modern (and entirely commendable) practice be followed of making the bankers of the business act as its sole cashiers, by handing over to them from day to day all monies received, and by making all payments by means of cheques drawn upon the bankers. If this latter plan be adopted, the account with the bankers and the Cash Account become merged, and it is very usual in such circumstances for the combined account still to be called the "Cash Account." In the case of a large

business, however, it is often impracticable for all the numerous monetary transactions to be passed through one pair of hands, or to be dealt with through one bank. Where the necessity arises, there is not the least difficulty, so far as the bookkeeping record is concerned, in keeping as many distinct accounts as there may be cashiers or bankers. This has already been briefly indicated in par. 15, where it was shown that the London and County Bank would keep a distinct account in respect of each of its cashiers.

**26.** Assuming that the remittance received from A. B. & Co. was handed over to E. F.'s cashier, to be cashed by him, and the proceeds applied in making various payments as the necessity arose, the transaction above referred to would be recorded in E. F.'s books as follows:—

*Dr.* CASH ACCOUNT. *Cr.*

| | | £ | *s.* | *d.* | | | £ | *s.* | *d.* |
|---|---|---|---|---|---|---|---|---|---|
| | To A. B. & CO. . | 100 | 0 | 0 | | | | | |

*Dr.* A. B. & CO. *Cr.*

| | | £ | *s.* | *d.* | | | £ | *s.* | *d.* |
|---|---|---|---|---|---|---|---|---|---|
| | *To Goods* . . . | 100 | 0 | 0 | | By Cash . . . | 100 | 0 | 0 |

**27.** On the other hand, if the cheque was handed to E. F.'s cashier with instructions to pay it into E. F.'s bank, the *full* record of the transactions would be as follows. It will be seen

that the cheque figures both as a receipt and as a payment in the cashier's account :—

**Dr.** **CASH ACCOUNT.** **Cr.**

| | | £ | s. | d. | | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| | To A. B. & Co. . | 100 | 0 | 0 | | By Bank . . . | 100 | 0 | 0 |

**Dr.** **LLOYDS BANK.** **Cr.**

| | | £ | s. | d. | | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| | To Cash . . . | 100 | 0 | 0 | | | | | |

**Dr.** **A. B. & CO.** **Cr.**

| | | £ | s. | d. | | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| | *To Goods* . . . | 100 | 0 | 0 | | By Cash . . . | 100 | 0 | 0 |

28. In cases, however, where the Bank is the sole cashier, it is usual for the record to take the following form, which it will be observed is an abbreviation of the complete record of what has actually taken place. So long, however, as there is no doubt as to who can be held responsible for the £100, should it fail to reach the Bank, there can be no objection to this abbreviation :—

*Dr.* **CASH (*or* LLOYDS BANK) ACCOUNT.** *Cr.*

| | | £ | s. | d. | | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| | To A. B. & CO. . | 100 | 0 | 0 | | | | | |

*Dr.* **A. B. & CO.** *Cr.*

| | | £ | s. | d. | | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| | *To Goods* . . . | 100 | 0 | 0 | | By Cash . . . | 100 | 0 | 0 |

## CHAPTER III

### DISCOUNTS

29. It frequently happens in business that, in consideration of prompt payment, debtors are allowed to deduct a specified percentage from what they owe by way of "Discount," the saving thus effected by the debtor being his inducement to pay the account before it becomes due, inasmuch as it compensates him for the loss of interest that is thus sustained. A Discount, it will be seen, is thus a loss to the creditor, and a profit to the debtor. If we suppose that, in the transaction already referred to, A. B. & Co. were allowed to deduct 5% from their indebtedness to E. F., the amount of the cheque would be £95 instead of £100. In the books of A. B. & Co., therefore, the amount to be credited to the London and County Bank would be £95 only, and the balance remaining at the Bank after such payment would be £905. Similarly, E. F.'s account would be debited with a remittance of £95 only as being received by him, and at this stage his account will still show a credit balance of £5. Inasmuch, however, as E. F. has agreed to accept £95 in settlement of a debt of £100 due to him, it is clearly incorrect to still regard him as a creditor for £5. This difficulty is got over by charging (or debiting) E. F. with the sum of £5 in respect of Discount, treating this as an agreed charge made to him for the benefit that he has received as a result of his account being paid before it was due. This debit of £5 to E. F.'s account extinguishes the outstanding balance, and thus brings the record into accordance with the facts—that accounts between A. B. & Co. and E. F. have been settled. It is clear, however, that we cannot debit E. F.'s account with £5 Discount without crediting some other account with the same sum, for the benefit received by E. F. must have been imparted by some source that is entitled to a corresponding credit. It is a little difficult for

the beginner to understand readily how these transactions involving a profit (or a loss, as the case may be) should be recorded, so as to conform with the rule that every debit entry involves a corresponding credit entry.

30. Two alternative solutions are here suggested—

(*a*) It may be assumed that the business is so organised that a separate member of the staff is responsible for looking after the transactions resulting in each different class of income, or expenses, that ordinarily arises. Thus, in the present instance, it may be taken that it is the duty of the head of the counting-house to pay all accounts as promptly as he can, with a view to enabling his employer to earn as many Discounts as possible. Upon this assumption it would not seem unnatural that an account called "Discounts Account" should be credited with all the earnings, or savings, produced as a result of the vigilance of this employee. If the terms of his employment were such that he was entitled to receive as his remuneration all the Discounts that were so made, it would be quite natural that an account in his name should be credited with these Discounts as earned. In the present instance, however, we must assume that he earns these Discounts as the result of his vigilance, not for his own benefit, but on behalf of his employers; and that, therefore, his employers, A. B. & Co., are to be credited with all Discounts earned for them by their employee. All profits so earned might of course be credited direct to the account of A. B.; but it is highly desirable that the total amount of each class of earnings and expenditure during a given period should be capable of being readily ascertained, and it is therefore usual for analytical accounts (usually known as "Nominal Accounts," or "Fictitious Accounts") to be opened under suitable headings, to enable the earnings and expenses of various descriptions to be suitably classified; leaving it until some later date—usually at the end of the year—to marshal the results together in a general account, called "Profit and Loss Account," which shows, under suitable headings, the total earnings and expenses of the whole business during the year under review.

(*b*) An alternative method of explaining the use of Nominal Accounts is as follows:—A profit is earned every time a transaction takes place, that results in (1) an increase of assets without an increase of liabilities; (2) a decrease of liabilities without a decrease of assets; (3) an increase of assets accompanied by a

smaller increase of liabilities. But this is only true as regards the position of a business towards the outside world. As regards its position towards the Proprietary, a business is incapable of earning a profit that it is justified in retaining. Any operation, therefore, which results in the earning of a profit, results simultaneously in the creation of a liability on the part of the business towards its Proprietary. The entry to the credit of the appropriate Nominal Account is a recognition of this fact.

*Per contra*, expenses or losses result in a relative diminution of assets which justifies the business in making a corresponding debit to some Nominal Account, as charging the Proprietary with the amount of such expenses (or losses) as a set-off against the profits that have been credited to them.

# CHAPTER IV

## "IMPERCEPTIBLE" TRANSACTIONS AND SUSPENSE ACCOUNTS

31. It is obvious that, if it is to serve any useful purpose, the bookkeeping record must be a complete record of all transactions that have taken place, and, in order to guard against risks of omission, it is customary, therefore, so to frame the books that the record may be made as nearly as possible at the time when the transaction actually takes place. Formerly it was usual for the record made at the time to be a mere memorandum, and for the entry in the actual books of account to be made more at leisure. This plan, however, possesses the twofold disadvantage of doubling the work involved, and of introducing additional risks of error, in that it is quite conceivable that the record subsequently made in the books of account may (either through inadvertence or fraud) differ from the original memorandum entry. The modern practice is, therefore, as far as possible, to arrange for the record to be made in books of account at the time when the transaction actually takes place.

32. For obvious reasons, however, it is necessary that certain exceptions should be made. Thus, while there is ordinarily no difficulty in at once making entries in the books recording the receipt or payment of money, or the sale or purchase of goods, and other similar transactions that take place, so to speak, at a single moment of time *en bloc*, there are certain other transactions, common in all businesses, that gradually accumulate, and which can hardly be said to have "occurred" at any one particular moment. For example, Wages and Salaries, although ordinarily paid at fixed (weekly, fortnightly, or monthly) intervals, gradually accrue due, and are being earned by the worker from hour to hour, or even from minute to minute. The same remark applies to charges in respect of Rent, Rates, Taxes, Interest, and the like. It would be manifestly impossible to attempt to keep a detailed record of these regularly accruing charges from hour to hour; the amount of work involved in so doing would be enormous,

and the corresponding gain *nil*. It is customary, therefore, to ignore such transactions until the time comes for them to be *paid*, and then to enter them in the books as an expenditure incurred (or a profit earned, as the case may be) on the date when the payment actually became due, or was made.

33. This practice carries with it two consequences. In the first place the bookkeeping record is no longer complete from hour to hour as an exhaustive statement of all that has taken place. Whenever, therefore, it is desired to arrive at a correct statement of the position of affairs during a given period, or up to any particular date, it is necessary to bear in mind that there will almost certainly be numerous items of income and expenditure accruing due that have not yet been recorded in the books; while, *per contra*, it is possible that there may be certain other items of income and expenditure which have been paid in advance, and which therefore *are* recorded in the books, although some portion of each such item properly relates to a period subsequent to that under consideration. Secondly, it is important to bear in mind that, as the bookkeeping record has been deliberately made incomplete by ignoring these regularly accruing items, the books, as such, will not show the amount of the outstanding assets or liabilities in respect thereof. When receiving or making payment in respect of such items, therefore, it is necessary to look to sources other than the books of account for records verifying their correctness. For instance, a manufacturer paying his week's Wages would find no entry in his books of account showing how much is due to each separate workman in respect of Wages. Clearly, however, it is necessary for him to obtain this information from somewhere, if he is to avoid the risk of loss through over-payment. In almost every business certain records will, therefore, have to be kept which form no part of the bookkeeping proper, but which are practically necessary to enable the management to ascertain how matters stand. These records are variously styled "memorandum books" and "statistical books." They form no part of the system of bookkeeping proper, and have been separated therefrom with the object of keeping the last-named within reasonable bounds; and because all necessary information with regard to these particular items can, it is found as a matter of experience, be obtained quite well by less laboured means than those necessitated by a system of Double Entry Bookkeeping. Naturally the precise nature

of these means will vary enormously according to circumstances. It is impossible to consider the matter in detail in a work of the present dimensions.

**34.** Going back to the question of liabilities outstanding, or payments made in advance, in respect of regularly accruing items, it has already been stated that whenever it is desired to ascertain the true position, it is necessary that due allowance should be made for these. The method usually adopted is to make a calculation of all the items unpaid up to the date in question, whether receivable or payable. So far as the items receivable are concerned, an entry is made in the books, debiting what is called a "Suspense Account" with the total amount thereof, and crediting the various Nominal Accounts, according to the nature of the items. Expenditure paid in advance of the services to be received in exchange is treated in precisely the same way as income received from services rendered which have not yet been paid for. The "Suspense Account" is thus a general account, recording as debit entries benefits imparted by the business in respect of which it still expects to receive a return, either by way of payment in money or future services. Thus, supposing on the 31st December, 1907, it is ascertained that an insurance premium of £40, paid on the 25th March, 1907, is in respect of the year ending 25th March, 1908, it is clear that, as the insurance extends up to the last-named date, approximately one-fourth of the benefits received in exchange for the expenditure of £40 will be received in the year 1908, and not in the year 1907. To adjust accounts on the 31st December, 1907, therefore, it becomes necessary to debit Suspense Account, and to credit the Nominal Account that has already been charged with the payment of £40 with a sum of £10, as follows :—

*Dr.* SUSPENSE ACCOUNT. *Cr.*

| | | £ | s. | d. | | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| 1907. Dec. 31 | To Rent, Rates, etc., Account: Unexpired Insurances . . . | 10 | 0 | 0 | | | | | |

**Dr.** RENT, RATES, TAXES, AND INSURANCES ACCOUNT. **Cr.**

| | | £ | s. | d. | | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| 1907. Mar. 25 | To Cash: Fire Insurance . . | 40 | 0 | 0 | 1907. Dec. 31 | By Profit and Loss Account. | 430 | 0 | 0 |
| *various dates* | " *Sundry Payments during* 1907 (*shown in detail*), *say*. . | 400 | 0 | 0 | " | " Suspense Account . . . | 10 | 0 | 0 |
| | | 440 | 0 | 0 | | | 440 | 0 | 0 |

35. The effect of this is to bring into the books on the 31st December, 1907, an asset of £10, as shown by the debit balance on the Suspense Account; and to reduce the debit balance on the corresponding Nominal Account by £10, thus reducing the business expenses for the year 1907 chargeable against the profits of that year by £10.

36. Inasmuch, however, as the balance on the Suspense Account is obviously not a permanent asset, but only, as the title of the account suggests, an item in suspense, which in the natural course of events will run off during the year 1908, it is usual on the first day of the following year (*i.e.* in this case the 1st January, 1908) to "write back" the entry, as it is called; that is to say, to credit the Suspense Account with £10, and to debit £10 to the corresponding Nominal Account. The effect of this is to remove the balance from the Suspense Account, which no longer represents an asset, and to charge as part of the expenditure for the year 1908 the £10 actually paid during 1907, in consideration of benefits to be received in the year 1908.

37. Expenditure accruing due, but as yet unpaid, is dealt with upon the reverse plan. That is to say, Suspense Account is in the first instance credited with the amount thereof, the corresponding Nominal Accounts being debited, thus increasing the business expenses for the earlier year; while at the commencement of the second year a reversing entry is made, debiting the Suspense Account and crediting the corresponding Nominal Accounts, thus reducing the expenditure that will be charged against profits in the second year. This latter is necessary because, in the ordinary course of events, when actual payment takes place

the full amount of the payment will be debited to the Nominal Account, notwithstanding the fact that part of the benefits was received in the preceding year. As, however, the account has already been credited with the proportion of the payment chargeable against the preceding year, the effect of now debiting it with the full charge is, upon balance, only to debit it with the proportion chargeable against the second year, as will be seen by a study of the following example :—

*Dr.* SUSPENSE ACCOUNT. *Cr.*

| | | £ | s. | d. | | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| 1908. | | | | | 1907. | | | | |
| Jan. 1 | To Salaries Account . . . . | 200 | 0 | 0 | Dec. 31 | By Salaries Account . . . . | 200 | 0 | 0 |

*Dr.* SALARIES ACCOUNT. *Cr.*

| | | £ | s. | d. | | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| 1907. | | | | | 1907. | | | | |
| Apl. 1 | To Cash . . . | 200 | 0 | 0 | Dec. 31 | By Profit and Loss Account . | 800 | 0 | 0 |
| July 1 | " " . . . | 200 | 0 | 0 | | | | | |
| Oct. 1 | " " . . . | 200 | 0 | 0 | | | | | |
| Dec. 31 | " Suspense Account . . . . | 200 | 0 | 0 | | | | | |
| | | 800 | 0 | 0 | | | 800 | 0 | 0 |
| 1908. | | | | | 1908. | | | | |
| Jan. 1 | To Cash . . . | 200 | 0 | 0 | Jan. 1 | By Suspense Account . . . . | 200 | 0 | 0 |
| Apl. 1 | " " . . . | 200 | 0 | 0 | | | | | |
| | Etc. | | | | | | | | |

# CHAPTER V

## ACCOUNTS CURRENT, ACCOUNTS STATED, AND SETTLED ACCOUNTS

**38.** It has already been stated that a proper system of bookkeeping necessitates the opening of a number of separate accounts, under appropriate headings, respectively showing how the individual, corporation, or property indicated by the name of the heading is affected by the various transactions embarked upon by the business. Such accounts are therefore a narration of transactions in which such individual, corporation, or property, and the business itself are jointly concerned. Thus, in the books of A. B. & Co. an account opened in the name of C. D. is a record of the transactions between C. D. and A. B. & Co. In the books of C. D. a similar account is opened in the name of A. B. & Co., and the accounts will be identical in all respects, save (1) inasmuch as the two parties look upon these mutual transactions from opposite points of views, items debited by A. B. & Co. to C. D. in their books will be credited to A. B. & Co. by C. D. in his books, and *vice versâ*; (2) inasmuch as many business transactions occupy an appreciable period of time, it is quite conceivable that there may be discrepancies between the two records in point of dates. Thus, supposing A. B. & Co. forward a cheque to C. D. by the evening post on the 1st January, 1908, the amount thereof will be debited to C. D. in A. B. & Co.'s books on the 1st January. Inasmuch as the remittance will certainly not reach C. D. until after business hours on the 1st January, the earliest date upon which the remittance is likely to appear in C. D.'s books to the credit of A. B. & Co. is the 2nd January, 1908; and if C. D. resides at a considerable distance from A. B. & Co. (as, for example, if one of the parties carries on business abroad, and the other in this country) the discrepancy in dates may easily be a matter of weeks. Similarly, while A. B. & Co. will naturally

make the entry in their books as on the 1st January, 1908, their bankers (the London and County Bank) will only debit them with the amount of the cheque on the day when it is actually presented to them for payment, which, at the earliest, cannot be before it has been actually received by C. D., and may be some days later.

39. For business purposes it is often necessary for one party to forward to another a statement of account, showing the position between the two. Such statement would naturally be a copy of the account between them as it appears in the books of the party rendering the account. For obvious reasons, however, an account forwarded to C. D. would convey little to his mind, if only *his* name appeared as the heading thereof; as it would be necessary for him to guess, if he could, from whom such account had been received. It is customary, therefore, for the party forwarding the account to add his own name after the name of the party to whom the account is rendered, the words "in account with" being placed between the two. Thus if A. B. & Co. forward to C. D. a copy of his account as it appears in their ledger, the heading to the account would be "C. D. in a/c with A. B. & Co." It has already been stated that upon a comparison of this account with the corresponding account in C. D.'s books, apart from the discrepancy as to dates it will be found that the sides of the account are transposed, *i.e.* debit entries will be found upon the credit side, and *vice versâ*. To avoid this apparent discrepancy some business houses, when forwarding accounts to their customers and others, transpose the sides, framing the account in the form in which they imagine it would appear in their customer's ledger. On account of the necessary discrepancy in dates, however, it is almost certain that there will never be any absolute agreement between the two. However that may be, if the sides have been deliberately transposed as before stated, the heading must likewise be transposed, and should read "A. B. & Co. in a/c with C. D." The account is then, apart from differences in dates, identical with the form of a similar account that might have been rendered by C. D. to A. B. & Co. in regard to the same transactions.

40. A statement of account thus rendered by one party to another is known as an "Account Stated." The party to whom it is addressed is not necessarily obliged to accept it as a true statement of the position of affairs; but by neglect to draw

attention to inaccuracies he may be compelled so to do; or, as it is called, be "estopped" from disputing its accuracy. The party rendering the account is, on the other hand, *primâ facie* bound thereby. He may, however, correct any manifest inaccuracy up to the time that the account has been "settled" by admission of the other party or by payment; or he may reserve the right to draw attention to subsequently discovered mistakes by affixing to the foot of the account the sign "E.E." or "E. and O.E.," meaning "Errors Excepted" or "Errors and Omissions Excepted" respectively.

41. A running account in the books of a business house recording its dealings with another is legally known as an "Account Current," and neither party is necessarily bound by the statements contained therein. Commercially, however, the term "Account Current" is commonly applied to what is in law an "Account Stated"—that is to say, a copy of a running account rendered by one party to another. Such Accounts Current, however, are usually distinguished from ordinary business accounts by running on for an indefinite period, instead of being definitely settled by actual payment up to a specified date at definite intervals. An Account Current frequently, but not necessarily, carries interest payable by the debtor to the creditor on the amount of the outstanding balance from time to time.

42. A "Settled Account" is, as its name implies, one that has been settled, or agreed, between the parties. An account may be settled by actual payment, in which case it cannot be reopened by either party unless fraud be alleged; or it may be settled by an expressed or implied undertaking to pay that amount, or to allow it to be set off against a contra-account—*i.e.* one for a larger amount due to the debtor from the creditor.

# CHAPTER VI

## THE LEDGER

43. It has been stated that, in bookkeeping, separate accounts are opened for the purpose of recording different classes of transactions, *i.e.* transactions with different business houses or property, or between the business and the Proprietary in respect of different classes of earnings or expenses. It thus follows that the accounts as a whole comprise an exhaustive statement of *all* the transactions of the business, classified according to their nature. The collection of accounts so comprised is called the Ledger, the word "ledger" meaning the book, or receptacle, in which the various accounts are "stored" or "laid up." Formerly such a record was comprised in a single bound book, and where the number of separate accounts is not very great this is undoubtedly the most convenient plan. Where, however, the accounts are too numerous, and the transactions too frequent, for it to be possible for the whole record to be made conveniently by a single bookkeeper, it is necessary to sub-divide the work, and consequently to sub-divide the book in which it is comprised. Thus in practice the Ledger is frequently sub-divided, the basis of the division varying according to circumstances, and being determined merely by convenience as to the organisation of the office work and the sub-division of duties. Distinctive names are given to each separate book for the purpose of identification, *e.g.* "Sales Ledger," "Sold Ledger," or "Customers' Ledger," comprising the accounts of customers or trade debtors; "Bought Ledger," or "Purchases Ledger," comprising the accounts of trade creditors; "General Ledger," comprising the remaining ledger accounts—sometimes sub-divided into "Nominal Ledger," comprising the nominal accounts; and "Private Ledger," comprising such accounts (whatever their precise nature) as it may be desired

to keep private from the general staff, namely, those showing the profit or loss of the business, the amount of proprietors' capital therein, and the financial position generally.

44. Wherever a sub-division of the Ledger occurs, the contents of all the Ledgers must of course be consulted before any complete impression may be gathered as to the position of the business as a whole; and, unless some system of sectional balancing be employed, it is necessary to collect together the outstanding balances in all the Ledgers before a Trial Balance can be prepared from the books of the business as a whole.

45. In the early days of Double Entry Bookkeeping it was customary for the various Ledger Accounts to be commenced on consecutive pages in the same book, each account being carried forward, when that page was fully occupied, to the next available vacant page. This plan had the advantage, when a Ledger had been recently opened, of keeping all the accounts together; and it was considered that, by making it a rule never to leave a blank page between any two accounts, the risk of fraud by the construction of a fictitious account at a later date was entirely obviated. On the other hand, inasmuch as some Ledger Accounts record far more numerous transactions than others, and as therefore some pages of the Ledger would, in the natural course of events, be far more rapidly filled up than others, this plan had the effect of scattering over numerous pages throughout the whole of the book the most important accounts comprising the greatest number of transactions, while these very accounts would be those to which, in the ordinary course of events, reference would most frequently have to be made. Moreover, the advantage of keeping all the accounts together, while of undoubted value so long as it lasted, was, in the nature of things, lost when the Ledger had been in use for more than a comparatively short time.

46. Recognising the inconveniences of this system, the more modern practice has been to, as far as possible, plan in advance the probable space that will be required for the record of each account during a period equal to the estimated life of the Ledger, with a view to allotting a corresponding amount of space to each account in the first instance, so that all the records relating to

that account may be on consecutive pages. This is undoubtedly an improvement upon the earlier plan; but it can, in practice, never be carried out in its entirety, inasmuch as it is not possible to foresee exactly how much space will be required for each separate account, while during the lifetime of a Ledger—usually two or three years—it is more than likely that some accounts will be discontinued altogether, and that certain new accounts not originally contemplated will require to be opened. In practice, therefore, so long as the bound book is retained, the necessity of carrying accounts forward from one part of the Ledger to another is certain to arise, and likely to occur very frequently.

47. It is with the object of removing these necessary limitations of the Bound Ledger that the Loose-leaf Ledger has been introduced during recent years. It is not practicable in a work of this size to deal at length with loose-leaf systems of bookkeeping. It may be mentioned shortly, however, that the principle of the Loose-leaf Ledger is to substitute for the permanent binding of the ordinary bound book a temporary binding (or file, as it may perhaps more conveniently be described), which will enable each sheet of the Ledger to be removed as finished, and a clean sheet substituted in its place, the filled-up sheets, as removed, being in their turn bound up in a second cover. By this means it is practicable for all the items relating to any one account to be kept together over a very extended period, the sheet containing the most recent entries appearing in the current binder, and all prior sheets relating to the same account appearing one after the other in another binder, known as a "Transfer Case." The system opens the door to irregularities and fraud if it is possible for the bookkeepers to remove sheets at will, either from the Current Ledger or the Transfer Case; but if, as is ordinarily the case, the binding attachment of both is under lock and key, and the key in the custody of some responsible person other than the ledger-keeper, all risks of fraud are eliminated.

48. Whatever the arrangements of the Ledgers may be, inasmuch as the page of a Ledger must always be of a limited size, it necessarily follows that sooner or later the transactions affecting each particular account will fill a page, and the need arise to continue operations upon another page. This operation presents no difficulty in practice. All that is necessary is to add up the

totals on the debit and credit sides respectively and insert them at the foot of the page now finished, together with a reference to the page to which the account is about to be transferred. At the commencement of the last-named page the debit and credit totals are entered upon their respective sides, together with a reference to the page from which these totals have been brought forward, and thus the operation of "carrying forward" an account, as it is called, may be readily performed without in any way disturbing the effect of the record, as shown by the following example :—

*Dr.* F. G. & CO. *Cr.* (16)

| 1908. | | | £ | *s.* | *d.* | 1908. | | | £ | *s.* | *d.* |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Apl. 2 | To Goods . . | 83 | 2 | 7 | 6 | Apl. 18 | By Returns . | 92 | | 9 | 0 |
| ,, 9 | ,, ,, . . | 90 | 2 | 5 | 2 | May 3 | ,, Cash . . | 216 | 13 | 10 | 10 |
| ,, 16 | ,, ,, . . | 106 | 5 | 2 | 8 | ,, | ,, Discount . | ,, | | 6 | 9 |
| ,, 24 | ,, ,, . . | 131 | 4 | 11 | 3 | June 8 | ,, Cash . . | 238 | 17 | 3 | 0 |
| May 2 | ,, ,, . . | 150 | 2 | 7 | 6 | ,, | ,, Discount . | ,, | | 8 | 9 |
| ,, 9 | ,, ,, . . | 169 | 1 | 10 | 8 | | | | | | |
| ,, 25 | ,, ,, . . | 174 | 13 | 13 | 7 | | | | | | |
| June 7 | ,, ,, . . | 201 | 1 | 10 | 8 | | | | | | |
| | Forward . | 85 | 33 | 9 | 0 | | Forward . | 85 | 31 | 18 | 4 |

(85) *Dr.* F. G. & CO. *Cr.*

| 1908. | | | £ | *s.* | *d.* | 1908. | | | £ | *s.* | *d.* |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Forward . | 16 | 33 | 9 | 0 | | Forward . | 16 | 31 | 18 | 4 |
| June 16 | To Goods . . | 218 | 10 | 10 | 11 | | | | | | |
| ,, 19 | ,, ,, . . | 232 | 3 | 10 | 0 | | | | | | |
| ,, 30 | ,, ,, . . | 260 | 4 | 10 | 3 | | | | | | |

**49.** It is obvious, however, that if the Ledger accounts were allowed to run on week after week, month after month, and year after year in this manner, the totals would soon become enormous, rendering it extremely difficult to tell at a glance the state of

the account and greatly increasing the risks of clerical errors. It is customary, therefore, every time an account is settled by actual payment, or by a transfer to some other account, for the settlement to be shown clearly upon the face of the Ledger Account by the process known as "ruling off" the account. There are various ways in which this may be done, and it is very largely a matter of personal inclination which be employed. Alternative methods are therefore shown below. It need hardly be added, however, that, to avoid confusion, it is convenient that a uniform method should be adopted throughout each separate Ledger.

*Dr.* F. G. & CO. *Cr.*

| | | £ | s. | d. | | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| 1908. | | | | | 1908. | | | | |
| Apl. 2 | To Goods . . . | 2 | 7 | 6 | Apl. 18 | By Returns . . | | 9 | 0 |
| " 9 | " " . . . | 2 | 5 | 2 | May 3 | " Cash . . . | 13 | 10 | 10 |
| " 16 | " " . . . | 5 | 2 | 8 | " | " Discount . . | | 6 | 9 |
| " 24 | " " . . . | 4 | 11 | 3 | | | | | |
| | —£14 6s. 7d.— | | | | | —£14 6s. 7d.— | | | |
| May 2 | To Goods . . . | 2 | 7 | 6 | June 8 | By Cash . . . | 17 | 3 | 0 |
| " 9 | " " . . . | 1 | 10 | 8 | " | " Discount . . | | 8 | 9 |
| " 25 | " " . . . | 13 | 13 | 7 | | | | | |
| | | 17 | 11 | 9 | | | 17 | 11 | 9 |
| June 7 | To Goods . . . | 1 | 10 | 8 | June 30 | By Balance . . | 20 | 1 | 10 |
| " 16 | " " . . . | 10 | 10 | 11 | | | | | |
| " 19 | " " . . . | 3 | 10 | 0 | | | | | |
| " 30 | " " . . . | 4 | 10 | 3 | | | | | |
| | —£20 1s. 10d.— | | | | | | | | |
| July 1 | To Balance . . | 20 | 1 | 10 | | | | | |

**50.** It has already been mentioned that an account is sometimes settled by a transfer to a contra account. It may be added that, for the purpose of classifying transactions, subordinate accounts are sometimes opened, which from time to time it is necessary to amalgamate into a general account. The most representative example of this is the employment of Nominal Accounts to enable earnings and expenditure to be analysed under suitable headings, the results being afterwards brought together into the general Revenue Account or Profit and Loss

Account. The operation of transferring a Ledger balance from one account to another is as follows :—Assuming the sum total of the entries upon the debit side to exceed the sum total of the entries upon the credit side of an account, that account is said to show a "debit balance." On the credit side of the account an entry is made for the amount of such balance, the effect being to secure an exact agreement of the totals which enables that account to be ruled off as settled. The corresponding debit entry is then made to the second account to which it is proposed that the balance shall be transferred—in this case the Profit and Loss Account. The effect of this transfer, it will be observed, is in no way to disturb the balancing of the books, for the same amount has been entered upon both debit and credit sides. The precise effect of what has been done is to wipe out a balance formerly standing on one account, and to add the same amount to the same side of another Ledger account, as shown by the following example. It need hardly be added, however, that such transfers must never be made unless justified by the actual facts of the case. An improper transfer, not in accordance with the facts, may very easily create an entirely misleading impression as to the position of affairs—as, for instance, if a debit balance on Rent, Rates, and Taxes Account (representing an expense or loss) be transferred to the debit of Business Premises' Account, where it would represent the actual value of business premises, or an asset. It is necessary not merely to see that the arithmetical balance of the bookkeeping entries is maintained, but also that their substantial accuracy, as a record of transactions that have taken place, is reflected by the headings of the accounts against which the items are recorded.

*Dr.* RENT, RATES, AND TAXES ACCOUNT. *Cr.*

| 1908. | | £ | s. | d. | 1908. | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| Feb. 2 | To Cash . . . | 11 | 5 | 0 | June 30 | By Profit and Loss Account . | 135 | 8 | 0 |
| Apl. 16 | „ „ . . . | 50 | 0 | 0 | | | | | |
| May 19 | „ „ . . . | 24 | 3 | 0 | | | | | |
| June 30 | „ Suspense Account . . . . | 50 | 0 | 0 | | | | | |
| | | 135 | 8 | 0 | | | 135 | 8 | 0 |

*Dr.* **PROFIT AND LOSS ACCOUNT.** *Cr.*

| | | £ | s. | d. | | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| 1908. June 30 | To Rent, Rates, and Taxes . . | 135 | 8 | 0 | 1908. | | | | |

**51.** From time to time it is convenient, especially in the case of those accounts which, in the ordinary course of events, are not settled by actual payment at frequent intervals, that the statement of the account should be clearly placed on record so that it may be seen at a glance; and it need hardly be stated that the more numerous the transactions may be, the more necessary is it that their combined effect should thus be placed on record from time to time. The process is called "bringing down" the balances, and is similar to transferring a balance from one Ledger account to another, save that instead of the balance subsequently appearing on an account bearing a different heading, its second appearance is upon an account bearing the same name as before. Commonly, the second account is a mere continuation of the first, as, for instance, in the following example. The true inwardness of this process will, perhaps, be most readily perceived, if it be considered what would be the correct practice assuming that on the 31st December, 1907, the then cashier were to be replaced by a new cashier. In that event the old cashier would naturally hand over to the new cashier the balance in his hands for which he was accountable, which appeared as a debit balance on his account: upon the amount being so paid over, naturally the old cashier would receive credit therefor, thus settling (or closing) his account; while the new cashier, starting duties by receiving this balance from the old cashier, would equally be debited in the first instance with the amount so received by him. The practice is thus perfectly comprehensible where there has been a change in the *personnel* of the accounting party, and, if the principle thus involved be duly appreciated, it is thought that no difficulty will be experienced in understanding that the same principle may be applied to distinguish

between the old account and a new account with the same individual.

**Dr.** **CASH ACCOUNT.** **Cr.**

| | | £ | s. | d. | | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| 1907. | | | | | 1907. | | | | |
| Dec. 1 | To Bank . . . | 69 | 0 | 0 | Dec. 2 | By Robinson . . | 69 | 0 | 0 |
| „ 5 | „ Jones . . . | 58 | 11 | 2 | „ 10 | „ Bank . . . | 158 | 11 | 2 |
| „ 10 | „ Smith . . . | 100 | 0 | 0 | „ 15 | „ Petty Cash . | 10 | 0 | 0 |
| „ 12 | „ Brown . . . | 56 | 0 | 0 | „ 21 | „ Bank . . . | 70 | 0 | 0 |
| „ 20 | „ Harvey . . | 24 | 0 | 0 | „ 31 | „ Balance . . | 96 | 0 | 0 |
| „ 27 | „ Jones . . . | 96 | 0 | 0 | | | | | |
| | | 403 | 11 | 2 | | | 403 | 11 | 2 |
| 1908. | | | | | | | | | |
| Jan. 1 | To Balance . . | 96 | 0 | 0 | | | | | |

# CHAPTER VII

## BOOKS OF FIRST ENTRY

52. Hitherto explanations of bookkeeping records have been confined to their effect upon the corresponding Ledger accounts, and it has been explained that each such transaction affects two Ledger accounts, thus necessitating a double record. It is clear that, even in the case of a very small business, it would frequently be extremely inconvenient to pause in the midst of business operations to make this double record to the appropriate accounts in the Ledger; and as the size of the business and the number of transactions embarked upon increases, and as the number of persons generally engaged in such transactions increases, the limit would very speedily be reached, when it would be hopelessly impracticable to expect each of the various employees to record his own transactions direct to the appropriate Ledger accounts at the time. Even supposing that all the business operations were performed in a single room, the general scramble that would take place for the books may readily be pictured, but when it is borne in mind that ordinarily business operations would take place in numerous rooms throughout a large building, and many perhaps at branches situated at some distance from headquarters, it is clear that it is only in theory that the idea of the immediate record of transactions to the appropriate accounts in the Ledger is even conceivable.

53. When bookkeeping was in its infancy, business houses operated upon a very much smaller scale than is customary at the present time, and in those days the practice of making a memorandum of the transaction at the time, in a memorandum or statistical book, called the "Waste Book"—leaving the actual

bookkeeping entries to be made more at leisure—doubtless answered fairly well. Even then, however, it was not usual to make the entries direct from the Waste Book into the Ledger, an intermediate book being employed, called the "Journal," which might be regarded as a fair copy of the Waste Book, arrived at by condensing the entries entered in the Waste Book as far as possible to save needless repetition, but otherwise recording all transactions as they took place in order of date. From the Journal the necessary entries were then made into the Ledger to the debit and credit of the appropriate accounts. Various forms of Journal have been in use from time to time, but the following form of ruling has survived to the present day :—

**JOURNAL, 19 .** *Dr.* *Cr.*

| Date. | Particulars. | Folio. | Amount of debit. | | | Amount of credit. | | |
|---|---|---|---|---|---|---|---|---|
| | | | £ | *s.* | *d.* | £ | *s.* | *d.* |
| | | | | | | | | |

**54.** The above form of ruling is so designed that from this stage onwards bookkeeping would become a purely mechanical process, inasmuch as the exact nature of the transaction has to be gauged *before* the Journal entry is made, the Journal entry showing clearly what account has to be debited, what account has to be credited, and what is the value of the transaction. The items appearing in the left-hand (or debit) money column have to be posted to the debit side of the Ledger account named upon the corresponding line—the particulars or description there entered being shown by the wording of the line underneath. The money value appearing in the right-hand (or credit) money column has similarly to be recorded on the credit side of the Ledger account appearing in the corresponding line, the narration being determined by the account that has been debited, as shown by the preceding line, as follows :—

JOURNAL, 1907. *Dr.* *Cr.* (19)

| | | | £ | s. | d. | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|
| Dec. 25 | Rent Account . . . . . . . . . | 62 | 50 | 0 | 0 | | | |
| | To X. Y. Z. . . . . . . . . . . | 81 | | | | 50 | 0 | 0 |
| | *Being one quarter's rent of offices due this day.* | | | | | | | |

(62) *Dr.* RENT ACCOUNT. *Cr.*

| | | J. | £ | s. | d. | | | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1907. Dec. 25 | To X. Y. Z. . | 19 | 50 | 0 | 0 | | | | | | |

*Dr.* X. Y. Z. *Cr.* (81)

| | | | £ | s. | d. | | | J. | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | 1907. Dec. 25 | By Rent Account . . . | 19 | 50 | 0 | 0 |

55. It will be seen that the process is cumbersome, as necessitating the employment in the first instance of memorandum entries of the transactions as they take place, and subsequently formulating them as Journal entries—with, of course, the risk of possible error in the process. Moreover, inasmuch as all transactions have to be recorded through the same Journal, the system itself breaks down so soon as the business grows to such dimensions as to make it impossible for one bookkeeper to keep pace with the record of the transactions as they occur from time to time. The earliest attempts to meet this practical requirement of the situation were in the direction of summarising the records of the Waste Book, with a view to reducing

the number of Journal entries necessary to record the transactions of each day. Obviously, however, there would be a limit to the extent to which this process of summarising would be practicable, and, in any event, the risks of inadvertent or fraudulent error in the process would be considerable. Accordingly, modern practice has been in the direction of merging the Waste Book and Journal into one book—employed not as a memorandum book, but as a book of account—in which all transactions are recorded as they take place (thus giving rise to the term "book of first entry," or "book of original entry"), but of sub-dividing this book in the same way that the Ledger itself is sub-divided, so as to permit of a numerous staff being simultaneously engaged.

56. Directly the idea of sub-dividing books of first entry is acted upon, it is obvious that, on the ground of convenience, the sub-division would follow the same lines as the sub-division of the duties of the different members of the business staff. For example, ordinarily speaking, persons charged with the receipt and payment of money would be different from those charged with attending upon customers and selling goods, while they again would be different from those whose duty it was to select and purchase goods from wholesale houses or manufacturers. Thus, without any special consideration for the conveniences of mere bookkeeping, it would naturally follow from a sub-division of the Journal that each separate divisional Journal would be employed exclusively to deal with transactions of a particular class, giving rise to "Cash Journal," "Sales Journal," "Purchases Journal," "Sales Returns Journal," "Purchases Returns Journal," etc. In almost every business, however, there would still occur, from time to time, a certain number of unusual transactions, in respect of which it would not be worth while to provide a distinctive class of Journal. These would continue to be recorded in a so-called "General Journal," kept upon the original lines, and, in the great majority of instances, it is only in this form that the old-fashioned Journal (par. 53) survives at the present day—as a convenient means of recording unusual, or infrequent, transactions prior to their being entered up to the appropriate Ledger accounts.

57. So far as the Cash Journal is concerned, this is rarely employed in practice, because a much more convenient short-cut

readily suggests itself. In the majority of commercial businesses, the number of cash transactions (including bank transactions under this heading) is very considerable, and represents an appreciable proportion of the total number. It is obvious that, if these are to be laboriously entered in a Cash Journal in the first instance and afterwards recorded to the proper Ledger accounts, much time is occupied; and if any other equally serviceable device can be hit upon that effects a saving of such time, its advantages must be obvious. It has already been pointed out that, in the ordinary course of events, the Ledger of a business of even reasonable proportions would naturally be sub-divided and spread over several separate books. There is no reason why one of these books should not be exclusively devoted to the keeping of the Cash Account, or the Banker's Account, or both. If this plan be employed, there can be no practical objection to the cash transactions being entered direct to the corresponding Ledger account, for the employment of the Cash Ledger (or "Cash Book," as it is commonly called) for this purpose would not interfere in any way with the use of the other Ledger accounts bound up in distinct books. By this means all necessity for a Cash Journal may be avoided, and a corresponding amount of time saved; with the further advantage that the Cash Account and Bank Account, being written up at the time, would at all times show the exact state of these accounts from hour to hour, whereas, if a Cash Journal were employed, the corresponding Ledger accounts would necessarily be written up at less frequent intervals, and would thus ordinarily be always a little behind time, and thus never able to show the position up to that precise moment. For obvious reasons, there is no department of a business in respect of which *prompt* information is more essential than its cash resources.

58. It has already been stated that the modern practice is, as far as possible, to make the Banker the sole cashier of the business, save for quite trifling expenses, which will be dealt with hereafter under the heading of "Petty Cash." When this plan is adopted, the Cash Book may be quite simple in form, being indeed merely an account recording the position of the business with regard to its Bankers. Inasmuch, however, as it is not usual for each individual item received to be handed over to the Bankers separately, but rather for the total of such receipts

to be paid into the Bank at the end of each day, it is convenient that the Cash Book should be provided with an inner column showing these details, while the outer column may show the total paid over to the Bankers from time to time. Similarly with regard to payments, as a cheque is sometimes drawn chargeable against two or more different accounts, it is convenient that upon the credit side of the Cash Book also there should be an inner column for the record of details, while the outer column shows the total of each cheque. This is the ordinary form of two-column Cash Book, shown below—

*Dr.* CASH. CONTRA. *Cr.*

| | | £ | s. | d. | £ | s. | d. | | | £ | s. | d. | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1908. | | | | | | | | 1908. | | | | | | | |
| Jan. 1 | To Balance . . | | | | 862 | 3 | 9 | Jan. 1 | By Salaries . . | 18 | 15 | 0 | | | |
| " 3 | " Smith . . | 8 | 1 | 3 | | | | " 1 | " Petty Expenses . . | 16 | 2 | 1 | | | |
| " 3 | " Brown . . | 16 | 2 | 5 | | | | | | | | | | | |
| | | | | | 24 | 3 | 8 | | | | | | 34 | 17 | 1 |
| " 4 | " Robinson . | | | | 53 | 4 | 5 | " 1 | " Miles & Co. . | | | | 43 | 0 | 8 |
| | | | | | | | | " 3 | " Simpson & Son | | | | 16 | 13 | 2 |

59. In cases where the business is carried on at some distance from the nearest bank, or where, for some other reason, a considerable number of payments have necessarily to be made in coin or in notes, it is impracticable to constitute the Bankers the sole cashiers of the business. In these circumstances it is possible to employ two Cash Books, one dealing exclusively with the receipts and payments of the Bankers on behalf of the business, the other dealing exclusively with the receipts and payments of the cashier employed by the business itself, and each such book may, if desired, be of the form shown in par. 58. As a rule, however, it is convenient in such cases, that only one Cash Book should be employed both in respect of Office Cash and Bank transactions, so that the total cash resources of the business may be perceived by looking at that one book. Obviously, however, the records, although kept in one book, must be kept distinct. This may readily be done by devoting distinctive columns to each record, as shown in the following example :—

*Dr.* **CASH. CONTRA.** *Cr.*

| | | Cash. | | | Bank. | | | | | Cash. | | | Bank. | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1908. | | £ | s. | d. | £ | s. | d. | 1908. | | £ | s. | d. | £ | s. | d. |
| Jan. 1 | To Balance . . | | | | 862 | 3 | 9 | Jan. 1 | By Cash . . . | | | | 34 | 17 | 1 |
| „ 1 | „ Bank . . . | 34 | 17 | 1 | | | | „ 1 | „ Salaries . . | 18 | 15 | 0 | | | |
| „ 3 | „ Smith . . . | 8 | 1 | 3 | | | | „ 1 | „ Petty Expenses . . | 16 | 2 | 1 | | | |
| „ 3 | „ Brown . . | 16 | 2 | 5 | | | | | | | | | | | |
| „ 3 | „ Cash . . . | | | | 24 | 3 | 8 | „ 1 | „ Miles & Co. . | | | | 43 | 0 | 8 |
| „ 4 | „ Robinson . | | | | 53 | 4 | 5 | „ 3 | „ Bank . . . | 24 | 3 | 8 | | | |
| | | | | | | | | „ 3 | „ Simpson & Son | | | | 16 | 13 | 2 |

**60.** Here the columns headed Cash represent respectively the receipts and payments of the office cashier, monies paid by him into the Bank being treated as his payments along with those that he may make to other parties. Similarly, cheques cashed by him from time to time to replenish his cash box are treated by him as receipts. In the Bank columns, on the other hand, cheques cashed to replenish the cash box of the cashier are properly recorded as payments, like all other cheques; while monies paid in by the cashier are treated as receipts, as well as any other items that may be received by the Bank direct from other sources. Thus the balance between the columns headed "Office," or "Cash," if a debit balance, represents the excess of the cashier's receipts over his payments, or Cash in Hand; and a credit balance would represent an excess of his payments over his receipts, or cash for the time being out of pocket. Similarly, a debit balance on the "Bank" columns would represent an excess of receipts by the Bank over its payments, or money in its hands belonging to its customer; and a credit balance would represent an overdraft or excess of payments by the Bank over its receipts. The advantages of keeping both sets of records in a single book are that the total cash resources may be readily perceived by looking at one book only, and also that the corresponding entries to the suitable Ledger Accounts necessary to complete the double-entry may be more conveniently made from one Cash Book than from two, more especially if they are to be entered in the Ledger in their proper order of date.

**61.** This is perhaps the most convenient time to draw attention to the system of referencing employed in connection with

bookkeeping, or "folioing" as it is commonly called. The pages of the Ledgers, and of each Book of First-entry, are numbered consecutively. Upon an item entered in a book of first-entry being posted to the appropriate Ledger Account, the folio of that account in the Ledger is entered against that item in the book of first-entry in the folio column; a cross-reference being provided by recording in the folio column of the Ledger the number of the folio of the book of first-entry from which the item is derived. This plan serves the double purpose of facilitating references (for naturally the books of first entry contain more detail than the Ledger accounts, and it is therefore often necessary to refer to them when particulars are required) and of indicating at a glance up to what point the process of entering up, or "posting," from the books of first-entry into the Ledger has been carried. *Primâ facie* all items appearing in a book of first-entry against which no folio references appear have not yet been posted into the Ledger; and, conversely, all items so folioed have been posted. Similarly, in the Ledger, an item against which no folio appeared would appear *primâ facie* not to have come from any book of first-entry, thus transparently calling for further inquiry. It need perhaps hardly be added that, in order to guard against clerical errors and omissions of all descriptions, all Ledger postings, and all additions, both in books of first-entry and in the Ledgers, should invariably be checked by some one other than the person who in the first instance performed the operation.

62. Where Ledgers and books of first-entry are numerous, it is necessary to provide something beyond the mere folio number in order to make the reference clear. Sometimes the plan is adopted of making the folios of one Ledger run on from those of the last. Thus, if there be three Ledgers, each containing one thousand folios, the folios in the first Ledger might be allowed Nos. 1 to 1000, in the second Ledger 1001 to 2000, and those in the third Ledger 2001 to 3000. Then the mere number of the folio indicates in which Ledger the entry is to be found. At other times Ledgers bear distinctive letters. Thus "T46" might represent "folio 46" in the Town Ledger, or the Ledger containing the accounts of customers residing in London; while "F217" would represent "folio 217" in the Foreign Ledger, and so on. Books of first-entry are usually distinguished partly by implication, and partly by the employment of letters. Thus all items posted from the Cash Book would be described as "To

Cash," or "By Cash," as the case may be, and the mere folio of the Cash Book, without any further distinctive mark, is sufficient to show whence they have been posted. Similarly, if there is only one Sales Journal or Purchases Journal, it is clear that all items which are in the nature of Sales or Purchases must have come through that book; while if there are several such Journals, they are usually identified by letters prefixed to the folio reference. Unusual transactions of a miscellaneous nature that have been passed through the General Journal are similarly identified by the letter "J" prefixed to the folio reference. To avoid confusion between "J" as indicating Journal, and "J" as indicating one of a series of Ledgers or books of first-entry, it is usual to omit the letter "J" from the alphabet for the last-named purpose, allowing Ledger K to follow next after Ledger I.

63. As already stated, a sub-division of the Journal necessary to enable a numerous staff to be simultaneously employed quite naturally results in each separate sub-division of the Journal (save that retained for unusual entries of a miscellaneous character) being exclusively devoted to records of a particular description, as, for instance, the sale or purchase of goods; hence the "Sales Journal," commonly known as "Sales Day Book," or merely "Day Book;" and the "Purchases Journal," commonly known as "Purchases Book," "Bought Book," or "Invoice Book." Assuming a business of a comparatively simple nature, it will thus follow in the case of a Sales Journal that, while it will be necessary to debit the entries recorded therein to a number of separate accounts opened in the names of the various customers to whom the goods have been sent, the corresponding credit entry will be the same in all cases; namely, to the credit of the "Goods Account," which has parted with the goods sold. Directly this point is appreciated, it will be observed that the labour of writing up the Ledger is practically reduced by one-half. Thus, supposing there be one thousand items of sales in a month, instead of it being necessary to debit one thousand items to corresponding customers' accounts and to credit one thousand items to Goods Account, while it is still necessary to write up the customers' accounts in detail—a process which involves one thousand entries —a single entry to the credit of the Goods Account of the total of the Sales Journal for the month will serve all practical purposes. Hence it follows that the process of classifying transactions

in the books of first-entry by sub-dividing the Journal very materially reduces the amount of clerical work involved in the keeping of the proper Ledger Accounts, without in any way impairing their efficiency. As a result, it is no longer necessary to provide such specialised Journals with two money columns, for debit and credit entries respectively. The items will be posted to one side of the Ledger in detail, and the periodical total to the opposite side of the Ledger Account affected by the transactions recorded in that particular book. As a rule, however, it is still convenient to retain the two money columns in practice; but instead of employing them for debit and credit entries respectively, they are employed—like the Cash Book columns—for details and totals respectively, as follows:—

JANUARY, 1908.

| | | £ | s. | d. | £ | s. | d. |
|---|---|---|---|---|---|---|---|
| 1st | | | | | | | |
| Avenue C. C.— | | | | | | | |
| 1 doz. A. A. Bats at 15s. each . . . . | | 9 | 0 | 0 | | | |
| ½ „ Match Balls at 50s. . . . . . . . | | 1 | 5 | 0 | | | |
| | | | | | 10 | 5 | 0 |
| Chas. Greaves— | | | | | | | |
| 1 Enfield Bicycle and Accessories . . . | | | | | 10 | 17 | 6 |
| 3rd | | | | | | | |
| Major Green— | | | | | | | |
| 1 set Golf Clubs to order . . . . . . . | | | | | 2 | 2 | 0 |
| Leaville Grammar School— | | | | | | | |
| 1½ doz. A. B. Bats at 110s. . . . . . . . | | 8 | 5 | 0 | | | |
| 2 pairs Pads at 9s. . . . . . . . . . | | | 18 | 0 | | | |
| 4 Scoring Books at 2s. 6d. . . . . . . . | | | 10 | 0 | | | |
| | | | | | 9 | 13 | 0 |
| Forward . . . . . . . . | | | | | 32 | 17 | 6 |

64. In many businesses, however, the operations are not of such a simple nature that all the goods bought and sold are of a similar description; that is to say, many traders and manufacturers deal in several different classes of goods, in which case—in order that they may secure proper control over the management of their affairs—it is desirable that each class of goods should be

regarded as a separate "department," capable of showing its results independently of the other departments. In such a case it would manifestly be insufficient for the periodical total of Sales to be posted to the credit of a general account called Goods Account. Consequently it is usual to open as many distinct Goods Accounts as there are separate departments in the business, distinguishing each by an appropriate heading, and the form of Sales Journal already described is then no longer practicable unless it should be found convenient to keep a separate Sales Journal for each department, in which case naturally the periodical total of each Sales Journal will be the total Sales of the corresponding department for that same period. In the majority of instances such a plan is quite practicable in respect of Sales, but rarely so in respect of Purchases, and in some cases it is not even convenient with regard to Sales. To meet the altered conditions, therefore, it is necessary to vary the form of Sales Journal. The following example represents the transactions recorded in the Sales Journal given on p. 50, assuming them to be analysed over three departments as stated :—

## SALES JOURNAL.

*January*, 1908.

| Date. | Fo. | Name. | Particulars. | Amount. | | | | | | Cricket. | | | Bi-cycles. | | | Golf. | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | £ | s. | d. | £ | s. | d. | £ | s. | d. | £ | s. | d. | £ | s. | d. |
| Jan. 1 | | Avenue C. C. | 1 doz. A. A. Bats 15s. each | 9 | 0 | 0 | | | | | | | | | | | | |
| | | | ½ doz. Match Balls at 50s. | 1 | 5 | 0 | 10 | 5 | 0 | 10 | 5 | 0 | | | | | | |
| ,, 1 | | Chas. Greaves | 1 Enfield Bicycle, etc. | | | | 10 | 17 | 6 | | | | 10 | 17 | 6 | | | |
| ,, 3 | | Major Green | 1 set Golf Clubs | | | | 2 | 2 | 0 | | | | | | | 2 | 2 | 0 |
| ,, 8 | | Leaville Gr. Schl. | 1½ doz. A. B. Bats at 110s. | 8 | 5 | 0 | | | | | | | | | | | | |
| | | | 2 pairs Pads at 9s. | | 18 | 0 | | | | | | | | | | | | |
| | | | 4 Scoring Books at 2s. 6d. | | 10 | 0 | 9 | 13 | 0 | 9 | 13 | 0 | | | | | | |
| | | | Forward | | | | 32 | 17 | 6 | 19 | 18 | 0 | 10 | 17 | 6 | 2 | 2 | 0 |

65. The above form calls for but little explanation. It will be observed that it is practically a repetition of the Sales Day Book shown on p. 50, with three additional money columns

upon the right-hand side, which enable the Sales to be analysed so that the totals of these three columns may respectively represent the total Sales for each of the three departments during the same period. The clerical accuracy of the analysis is tested by an agreement of the cross total of these three totals with the total of the total column itself, and of course, if necessary, the cross total may be checked at the foot of every page. With the analytical (or "tabular") form of Sales Journal, instead of the total of the total column being periodically posted to the credit of a general Goods Account, the total of the column marked "Cricket" would be posted to the credit of a specialised Goods Account called "Cricket Account," the total of the column marked "Bicycles" similarly posted to the credit of a "Bicycles Account," and the total of the column marked "Golf" similarly posted to the credit of an account marked "Golf Account." By this means, and with but little more clerical labour, it becomes quite practicable to analyse the Sales departmentally to any desired extent, and it need perhaps hardly be added that Purchases and Returns may be dealt with upon similar lines. As has already been stated, however, where the transactions are extremely numerous, and where, therefore, the employment of a tabular Sales Journal might prove troublesome, it will usually be found quite practicable, and more convenient, to employ a separate departmental Sales Journal for each department. The only possible objection to this is that the customers' accounts have to be written up from several Sales Journals instead of from one. This, however, is, after all, not a very serious consideration, as the postings would naturally be made daily.

**66.** Before leaving the subject of books of first-entry, it will be convenient to describe the various methods of dealing with Cash Discounts. A Cash Discount is an allowance made by a creditor to a debtor when the latter pays an account before a specified time. Where transactions of this description are infrequent, the usual practice is to pass each through the Journal as the necessity arises, as shown by the following entries, which purport to record that (1) an allowance of 12*s.* 6*d.* has been made to A. upon the payment of his account, resulting in a loss to the business, which must be debited to "Discounts Account," and credited to A.; and (2) an allowance to the business by B. of 25*s.* for Discount, resulting in a profit to the business, which must be credited to "Discounts Account," and debited to B.

**JOURNAL, 1908.** *Dr.* *Cr.*

| | | | | £ | s. | d. | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| Jan. | 5 | Discounts Account . . . . . . . . | | | 12 | 6 | | | |
| | | To A. . . . . . . . | | | | | | 12 | 6 |
| | | *Being 2½ per cent. allowed to A. on the payment of his account prior to* 10/1/08. | | | | | | | |
| Jan. | 7 | B. . . . . . . . . . . . . . . . | | 1 | 5 | 0 | | | |
| | | To Discounts Account . . . | | | | | 1 | 5 | 0 |
| | | *Being 2½ per cent. allowed by B. on the payment of his account prior to* 10/1/08. | | | | | | | |

67. In a commercial business, however, if Discounts are allowed at all, they are ordinarily allowed upon all payments made within a prescribed period of time, and thus the method described above would be too cumbersome for practical use in the majority of instances. An alternative plan that at once suggests itself is to start two Discount Journals, one for Discounts received from trade creditors, and another for Discounts allowed to trade debtors. This would be a perfectly feasible plan, but it so happens that it is quite practicable to devise an even shorter cut by combining the Discounts Journal with the Cash Book. It is in the nature of things that all allowances by way of a Cash Discount are made at the time that the account is actually paid, and thus at the time when, in the ordinary course of events, it would be necessary to make an entry in the Cash Book. If an additional column be provided upon each side of the Cash Book for Discounts, the amount of the Discount allowed (or received) may be entered in the Cash Book at the moment that the regular Cash Book entry is recorded, and in the same line with it, thus avoiding the necessity of making any additional entry, save in respect of the amount of the Discount itself. As contrasted with the use of a Discounts Journal, therefore, the writing of the date and name of the party to the transaction have been saved; and as contrasted with the ordinary Journal entry the saving in time has been even more considerable.

68. In the *pro formâ* Cash Book given on p. 55, the items entered in the Discounts column on the debit side represent

Discounts allowed to customers, on the payment of their respective accounts. These amounts will accordingly be credited to the respective customers at the same time as they are credited with the monies received from them, and some saving of time may here be effected as compared with the employment of a Journal, in that both postings are made from one book of first-entry, thus halving the time lost in turning over pages and finding the proper place for each item. To complete the double entry in the Ledger it is necessary that the periodical total of the items entered in the debit Discount column should be posted to the debit of the Discounts Account in the Ledger, and similarly the total of the credit Discount items must be credited to the Discounts Account. In the *pro formâ* example here given the Discount columns are totalled each time the Cash Book itself is ruled off, and the reference appearing in the folio column against them indicates that they have been duly posted to the Discounts Account in the Ledger. It would be practicable, of course, for the two Discount columns to be balanced, and the balance brought down from time to time in the same manner that the balance of the Bank columns is periodically brought down ; but even if this plan were adopted it would eventually be necessary to transfer the balance to Profit and Loss Account, and in the mean time one would have lost sight of the totals of which it is compiled. The total of debit Discounts is the total amount allowed to customers against Sales, while the total of the credit Discounts is the amount of allowances received in respect of purchases; whereas a mere difference between the two totals is an haphazard figure, of no particular value, as indicating that every possible advantage is secured by the business in return for prompt payment of its liabilities.

84 *Dr.* CASH. CONTRA. *Cr.* 84

| | | Fo. | Discount. | | | Cash. | | | Bank. | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1908. | | | £ | s. | d. | £ | s. | d. | £ | s. | d. |
| Jan. 1 | To Balance . | 83 | | | | | | | 862 | 3 | 9 |
| „ 1 | „ Bank . . | 84 | | | | 34 | 17 | 1 | | | |
| „ 3 | „ Smith . . | 243 | | 4 | 3 | 8 | 1 | 3 | | | |
| „ 3 | „ Brown . | 71 | | 8 | 6 | 16 | 2 | 5 | | | |
| „ 3 | „ Cash . . | 84 | | | | | | | 24 | 3 | 8 |
| „ 4 | „ Robinson | 182 | 2 | 16 | 0 | | | | 53 | 4 | 5 |
| | | 345 | 3 | 8 | 9 | 59 | 0 | 9 | 939 | 11 | 10 |
| Jan. 5 | „ Balance . | 84 | | | | | | | 845 | 0 | 11 |

| | | Fo. | Discount. | | | Cash. | | | Bank. | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1908. | | | £ | s. | d. | £ | s. | d. | £ | s. | d. |
| Jan. 1 | By Cash . . . | 84 | | | | | | | 34 | 17 | 1 |
| „ 1 | „ Salaries . . | 312 | | | | 18 | 15 | 0 | | | |
| „ 1 | „ Petty Expns . | 331 | | | | 16 | 2 | 1 | | | |
| „ 1 | „ Miles & Co. . | 217 | 2 | 5 | 4 | | | | 43 | 0 | 8 |
| „ 3 | „ Bank . . . | 84 | | | | 24 | 3 | 8 | | | |
| „ 3 | „ Simpson & Son | 242 | | 17 | 7 | | | | 16 | 13 | 2 |
| „ 4 | „ Balance . . | 84 | | | | | | | 845 | 0 | 11 |
| | | 345 | 3 | 2 | 11 | 59 | 0 | 9 | 939 | 11 | 10 |

# CHAPTER VIII

## BILLS OF EXCHANGE

69. In ancient times, before the introduction of money as a medium of exchange, it was only possible for business transactions to be settled upon a basis of mutual barter, under which each party to the transaction rendered benefits to the other which were mutually agreed to be of equal value. Such a system was cumbersome at the best, in that a settlement upon such a basis necessarily involved a certain amount of protracted negotiation, which doubtless frequently degenerated into wrangling; but it must have been especially inconvenient, in that it doubtless often happened that A. desired to receive that which B. was in a position to impart at a time when he was not in a position to offer any benefit in return that B. was willing to accept as an equivalent—with the result that if A.'s needs were urgent, he was compelled to sacrifice a considerable quantity of the commodity that he was prepared to offer in exchange, in order to secure what he required from B., while B. in his turn had to take his chance as to whether he would be able to exchange this commodity later on for something else that he stood in need of.

70. With the introduction of a monetary system many—but by no means all—of the inconveniences of this system of barter were done away with. It was still possible for business men to arrange their transactions upon the basis of barter, if each had something to dispose of that the other was desirous of acquiring; but, failing this, a one-sided transaction might be entered upon on the basis that the party receiving the benefit should hand to the other in exchange an agreed sum of money, which would enable the latter in his turn to purchase goods or services

elsewhere as and when he required them. From time to time in the history of the world all sorts of commodities have been used as money, but it is generally considered that the essential requirements of money are (1) that it shall be generally so acknowledged, (2) that it shall be of a constant purchasing power, (3) that it shall be reasonably portable. With the growth of civilisation little difficulty is experienced under the first heading, but the second qualification is never likely to be achieved in its entirety, although the limits of variation have been reduced to a minimum by the general employment of gold as the basis of monetary values. The purchasing power of the money of those countries not employing gold as a basis for their currency fluctuates far more than that of monies based upon a gold standard. With regard to the last qualification, while gold is doubtless more portable than many commodities, its weight, the gradual loss arising from the rubbing of gold coins one against another, and the risks of sudden loss from robbery, wrecks, earthquakes, etc., render the transfer of gold in large quantities over considerable distances a matter of some expense and considerable risk, apart from the fact that while in transit a loss is necessarily sustained, owing to the fact that the gold—although intrinsically valuable—is "locked up" and serving no useful purpose, and is therefore, for the time being, entirely unproductive.

71. If all business transactions had to be settled by an actual payment in gold, it is clear that very large quantities of gold would have to be continually in transit, and that the expenses and losses incurred in the process would in the aggregate be very considerable, and tend greatly to restrict trading operations. Hence at a very early stage in the world's history it became customary to substitute "credit" for money payments, *i.e.* to arrange for a postponement of actual payment, with its attendant expenses and risks, in the belief (generally well founded) that such payment would be made when demanded. The introduction of credit as a factor in commercial intercourse was in many respects a revival of the older system of barter. The advantage of postponing an actual settlement in money was no doubt partly that, by making settlements at less frequent intervals, and for larger sums, the costs of conveyance might be reduced (for example, a large sum might be sent to a distance with an armed guard, which would be quite impracticable in connection with a

smaller sum); but the object of credit was not so much to allow settlements to stand over, and afterwards to be effected in large sums, as to allow them to stand over in the hope that an actual settlement in money might be avoided by the debtor rendering some other services that could be regarded as equivalent to actual payment. For example, if A., residing in London, buys goods from B., residing in York, it may be to the advantage of B. that, instead of A. forwarding gold to York, he should pay it over to C., residing, say, at Windsor, to whom B. is indebted. Thus the expenses and risks of two long journeys are avoided, and those attached to one short journey only incurred. It goes without saying that the more usual it became for business men to have dealings with others residing at a considerable distance, the greater were the conveniences of these mutual transactions—or "exchanges of credit," as they are commonly called.

72. But it is clear that, however convenient exchanges of credit may be as a means of avoiding the actual transportation of money, it would be bad business on that ground alone to allow business accounts to stand over indefinitely without any formal settlement. Hence arose the practice of giving what are called "Bills of Exchange," which serve the twofold purpose of formally agreeing the amount of a debt, and of allowing that debt to be readily transferred from hand to hand, so as to avoid as far as possible the transport of money between the various parties concerned. The form of Bill of Exchange most commonly used in commercial transactions is called an "Acceptance." It is an unconditional order issued by a creditor to a debtor, directing him to pay a definite or ascertainable sum to the creditor, or some other named party or their nominee, or to bearer, on a stated or ascertainable date. This order, or bill, is ordinarily presented to the debtor very shortly after it has been drawn up, and is formally "accepted" by him by an endorsement in the prescribed form upon the face thereof, as shown in the following example:—

£105 2s. 6d.[2] London, 1st October, 1907.[1]

2s.[3] Stamp

Three months[4] after date, pay to Messrs. Ronald Simpkins & Co.,[5] or order,[6] the Sum of One hundred and five pounds two shillings and sixpence, value received.[7]

To Messrs.
Hampton, Court & Co.,[9]
Reading.

Deborah & Son.[8]

*Accepted payable at National Provl. Bank,[10] Reading.*
*Hampton, Court & Co.[11]*

73. Under ordinary circumstances the amount of a Bill is definitely stated upon the face thereof, but so long as the amount is capable of being definitely ascertained, it need not be absolutely stated. For instance, a Bill may be for a stated sum, together with interest thereon at an agreed rate from the date of the Bill (or any other stated date) up to the date of actual payment. The person named on the face of the Bill as the payee of the Bill is usually the creditor signing the Bill, who is called the drawer; but the drawer may, if he thinks fit, insert the name of any other party as the payee, and the Bill may be made payable either to the payee or to his order, or to bearer. A Bill made payable to

[1] This date is the date from which the due date of the Bill is calculated.

[2] The amount of the Bill, which is usually, as a matter of convenience, stated in figures as well as in words.

[3] All Bills must be stamped with an *ad valorem* stamp, which in the case of an inland Bill must be impressed before the Bill is signed.

[4] This is the "term" of the Bill. Three days' "grace" are allowed, making this Bill due on the 4th January, 1908.

[5] The "Payees."

[6] This Bill requires the endorsement of the Payees: Bills are sometimes payable to —— or *bearer*, in which case no endorsement is required.

[7] These words are customary, but not essential. They indicate that at the date of the Bill the amount thereof is owing by Hampton, Court & Co. to Deborah & Son.

[8] The Drawers of the Bill.

[9] The Drawees of the Bill, who, after accepting it, are spoken of as the Acceptors.(11)

[10] If no such limitation appears on the face of the Bill, it is payable on presentation at the Acceptors' address.

any stated person "or bearer" must be paid when presented at the proper time to whomever may then present it; but a Bill payable to the order of the payee will only be paid if the payee has endorsed his name upon the back thereof. Such an endorsement may, if desired, be limited. Thus if D. be the payee of a Bill, he may endorse it with the direction that it is to be paid "to the order of E."; in which case E. must further endorse the Bill before it is presented for payment. If Bills pass through several hands, it is not uncommon to find numerous endorsements upon the back before they are ultimately presented.

74. The date upon which a Bill is payable may be definitely stated upon the face of the Bill, or merely indicated as being so many days (or months) after the date of the Bill, or so many days "after sight." The expression "after sight" means after the Bill has been presented to the debtor (drawee) for acceptance, such date being definitely fixed by being named by the drawee when accepting the Bill. Ordinarily speaking, Bills drawn by a creditor upon a debtor residing in the same country are made payable so many days (or months) after date, whereas Bills drawn upon a debtor residing in a foreign country are made payable so many days after sight. The reason for this difference of practice is that a Bill drawn and payable in the same country (commonly spoken of as an "inland Bill") is ordinarily presented for acceptance immediately after it has been drawn, and therefore the acceptor has ample notice of the due date; whereas, in the case of a foreign Bill, owing to various delays, it is quite conceivable that much time might elapse between the date when a Bill is drawn and the date when it is presented for acceptance. Hence the convenience of arranging that the term of the Bill shall run from the latter, rather than from the former, date. To avoid the risk of foreign Bills being lost in transit, it is usual for them to be drawn in duplicate, or in triplicate, the second copy being forwarded by the mail following that with which the first was despatched, and the third copy (if any) being retained by the drawer in case he should be advised that both the preceding copies have miscarried, in which event it would also be forwarded. Such Bills are said to be drawn "in series," and if any one of the "series" be accepted or paid, the effect is to absolutely cancel the remainder of the series. The usual form of a foreign Bill is given below.

FIRST.

£25 0*s*. 0*d*.

New York, 21st February, 1908.

Fifteen days after sight pay this First of Exchange (second of like tenour remaining unpaid) to the order of Abel Green, Esq., the Sum of Twenty-five pounds sterling, value received, which charge to account of

Goldman, Sachs & Co.

To Messrs.
Kleinwort, Sons & Co.
London.

*Sighted 29th February, 1908.*
*Kleinwort, Sons & Co.*

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SECOND.

£25 0*s*. 0*d*.

New York, 21st February, 1908.

Fifteen days after sight pay this Second of Exchange (first of like tenour remaining unpaid) to the order of Abel Green, Esq., the Sum of Twenty-five pounds sterling, value received, which charge to account of

Goldman, Sachs & Co.

To Messrs.
Kleinwort, Sons & Co.,
London.

**75.** The acceptance of a Bill of Exchange by the debtor is a definite and irrevocable admission by him of a corresponding debt, and inasmuch as Bills of Exchange are negotiable—that is to say, the legal ownership thereof passes from hand to hand by endorsement in the case of a Bill payable to order, or by mere delivery in the case of a Bill payable to bearer—such Bills afford a convenient means of effecting a transfer of credits. The drawer of a Bill has thus only to pass that Bill on to one of his creditors in order to effect a settlement of the two accounts so far as the value of the Bill is operative. Thus, supposing A. draws upon B. at three months for £50, and endorses the Bill over to C., to whom he owes £50; upon C. collecting from B. the amount of the Bill a complete settlement has been effected between all parties concerned, provided C. is willing to wait three months for an actual settlement of what is due to him from A.

If B. should fail to meet the Bill, C. still reserves his rights against A. as a creditor; but in such a case he would sue A. not for the balance of an account (which might perhaps be disputed), but upon the unpaid Bill of Exchange, to which there could be no defence, save a plea that A.'s signature had been forged. Where a bill has been endorsed by numerous parties before coming into the hands of the party actually presenting it for payment, all are jointly and severally liable to pay the amount of the Bill if it should not be met by the acceptor at maturity.

76. It is obvious, however, that the actual date of the payment of a Bill has some bearing upon its efficiency as a means of transferring credits. Thus, if (say) £50 is due to C. in one week's time, while he might be quite willing to take B.'s acceptance for £50 if due seven days hence, it is hardly to be expected that he would be equally willing to take B.'s Bill, due (say) three months hence. In such a case, however, he would probably be willing to take B.'s Bill, so long as he was allowed interest on the amount due to him during the period representing the difference between seven days and three months; that is to say, in commercial language, he would be willing to take B.'s Bill "subject to discount," and to credit A. with the net value, *i.e.* £50, less interest on £50 for two and three-quarter months at an agreed rate, say 5 per cent.

77. In modern times, however, when banks are to be found in practically every town where business operations are conducted, it has become more usual, so far at least as inland Bills are concerned, to discharge indebtedness at a distance by means of "Cheques." A cheque is a Bill of Exchange drawn upon a bank payable on demand, and because it is payable on demand it is unnecessary that it should be accepted, for upon presentation it is paid instead of being merely accepted. In all other respects (save that the stamp duty is invariably 1*d.*, whatever the amount involved) a cheque follows the ordinary rules connected with a Bill of Exchange; but it is obvious that a Bank will not pay a cheque drawn upon it by a customer unless it has in hand a larger sum belonging to that customer, or that customer has arranged for the Bank to grant him a loan, against security. Subject to this proviso, however, cheques form a very convenient means of discharging indebtedness at a distance by means of a transfer of

credits, because it is usually much more convenient to obtain payment of a cheque than payment of a Bill of Exchange, by reason of the fact that all the Banks are naturally well known to each other, and are every day settling numerous transactions among themselves.

78. With the growth of banking it has become the usual, although not the invariable, practice for business houses to present Bills of Exchange against other business houses for payment through their respective Banks. If these Bills are not handed over to the Collecting Banks until close upon the due date, it is usual for the Bank to give its customer credit for the full face value of the Bill as from that date; but in approved cases Banks will buy Bills from their customers at their face value, less a charge representing interest during the currency of the Bill. Such a procedure is called "discounting" a Bill, and the charge made therefor is called Discount. The holder of the Bill then receives—in cash or in credit, as the case may be—something less than the face value of the Bill, but he receives it at a date earlier than the date when the Bill matures. It will thus be seen that the settlement of indebtedness by Bills of Exchange possesses, among other advantages, the means of enabling a creditor to secure payment of his account at a date earlier than that upon which the debtor actually makes the payment. In the mean time the money is advanced to the creditor by a Bank, which makes a charge for the accommodation thus provided. In the event of a Bill not being met at maturity, the banker who has discounted it looks to his customer for payment, and forthwith debits him with the face value of the Bill; but it may also proceed against the acceptor, the drawer, and all endorsers.

79. In accounts cheques, being payable on demand, are regarded like ordinary cash payments made by the Bank upon which they are drawn, and it is not customary to distinguish between payments made by cheque and payments made in cash. Similarly, a Bank Note, which is a "Promissory Note" payable on demand, is regarded in accounts in exactly the same way as money. A Promissory Note differs from a Bill of Exchange in that it is drawn by the debtor, and not by the creditor. In other respects it follows the same rules as a Bill of Exchange. The following are typical examples of Promissory Notes :—

£105 2s. 6d. Reading, 1st October, 1907.

2s. Stamp.

Three months after date we promise to pay to Messrs. Deborah & Son, or order, the Sum of One hundred and five pounds two shillings and sixpence, value received.

Payable at
National Provl. Bank,
Reading.

Hampton, Court & Co.

---

94/J 50007 **Bank of England** 94/J 50007

*I Promise to pay the Bearer on Demand*
*the Sum of* **Five** *Pounds*
*1907, July 19 London 19 July, 1907*

£ **Five**

*For the Gov.or and Comp.a of the*
BANK of ENGLAND.
94/J 50007

*J. G. Nairne*
*Chief Cashier.*

**80.** It will be observed that while cheques are recorded in the books of the drawer as though they were paid by the Bank upon the date when drawn, an interval of several days, or perhaps even weeks, may elapse before they are actually presented at the Bank for payment, and in the mean time they will not, of course, appear in the books of the Bank as having been paid by it. There will thus always be some discrepancy between the entries made in the books of the Bank and the corresponding entries in the books of its customer, and allowance must be made for these discrepancies when comparing the account presented by the Bank to its customer with his Cash Book.

**81.** So far as ordinary Bills of Exchange are concerned, these, from the point of view of the person primarily liable (*i.e.* the drawee or acceptor of an Acceptance, and the drawer of a

Promissory Note), are called "Bills Payable." From the point of view of *all other parties* through whose hands they may pass, they are called "Bills Receivable."

82. Bills Payable are recorded as follows: Upon the signing of an Acceptance or Promissory Note, and the handing thereof to the creditor, the debtor (*i.e.* the person eventually liable to pay the Bill) debits his creditor with the face value of the Bill, as being a benefit received by him—the benefit taking the form of the Bill, which is a negotiable instrument upon which money can be raised—and a corresponding amount is credited to an account called Bills Payable Account. The effect of this, where a Bill has been given in satisfaction of an existing debt, is to balance off the account of the creditor by transferring the amount of the credit balance to a distinct account called "Bills Payable Account." The Bills Payable Account is credited with the face value of all bills in respect of which liability has been accepted, and so long as such Bills remain unpaid the credit balance remains standing on the Bills Payable Account. As, however, the Bills are met, Cash Account (or Bank Account, as the case may be) is credited, and Bills Payable Account is debited, so that by the time all outstanding Bills Payable have been met, no balance will remain on the Bills Payable Account. If, for any reason, a Bill is dishonoured, Bills Payable Account is debited, and the then holder of the Bill credited, and the last-named account continues to show a credit balance until the Bill has been paid.

83. Similarly, if a Bill is renewed, what takes place is that the old Bill is returned, and a new Bill (due on a later date) is given in its place. Then the original creditor is credited with the face value of the old Bill, and Bills Payable is debited, and the new Bill is treated *de novo*. Usually a charge is made by way of interest upon the renewal of a Bill, in which case Interest Account is debited, and the holder's account credited, with the agreed amount of such interest, and the second Bill is of course for a correspondingly larger sum than the first Bill. The following *pro formâ* accounts show the entries necessary in the books of B. to record the fact that he has given A. a Bill for £100 at three months in satisfaction of an indebtedness to A. of that amount, and that upon maturity the Bill was renewed for a further term of three months, interest at 6% per annum being charged on such renewal.

*Dr.* A. *Cr.*

| 1908. | | £ | s. | d. | 1908. | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| Feb. 2 | To Bills Payable | 100 | 0 | 0 | Feb. 1 | *By Goods* . . . | *100* | *0* | *0* |
| May 5 | „ Bills Payable | 101 | 10 | 0 | May 5 | „ Bill Renewed | 100 | 0 | 0 |
| | | | | | „ | „ Interest . . | 1 | 10 | 0 |
| | | 101 | 10 | 0 | | | 101 | 10 | 0 |

*Dr* BILLS PAYABLE. *Cr.*

| 1908. | | £ | s. | d. | 1908. | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| May 5 | To A. (Bill renewed) . . . | 100 | 0 | 0 | Feb. 2 | By A. . . . . | 100 | 0 | 0 |
| | | | | | May 5 | By A. . . . . | 101 | 10 | 0 |

*Dr.* INTEREST AND DISCOUNT ACCOUNT. *Cr.*

| 1908. | | £ | s. | d. | 1908. | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| May 5 | To A. . . . . | 1 | 10 | 0 | | | | | |

**84.** Bills Receivable are dealt with upon converse lines. When a Bill is taken in satisfaction of a sum due from a debtor, the debtor is credited as having imparted a benefit to the creditor by handing to him a Bill, which is a negotiable instrument upon which he can raise money, the corresponding debit entry being made to a Bills Receivable Account. The debit balance on the Bills Receivable Account from time to time shows the aggregate amount due from various persons in respect of Bills Receivable in hand that have not yet matured. Whenever a Bill is discounted, or paid, Bills Receivable Account is credited with the

face value thereof, and Cash Account (or Bank Account, as the case may be) debited. If the Bill is paid at maturity, the debit is for the full face value thereof. If the Bill has been discounted before maturity, the debit will be for the face value *less* the amount charged for Discount, and the latter amount will appear to the debit of Discounts Account. If a Bill is dishonoured—*i.e.* not met at maturity—its face value is debited to the person from whom such Bill was received, not necessarily to the acceptor, for the last holder would naturally look for payment first to the person from whom he actually received the Bill. A dishonoured Bill which had been discounted would naturally be credited to the Bank, or other business house with whom it had been discounted, but if in hand at the date of dishonour the credit entry would be to the Bills Receivable Account, so that the balance on the last-named account may never include any Bills that are not actually in hand and unmatured, and therefore *primâ facie* "good" Bills. When a Bill is renewed the entries will be the same as in the case of a Bill dishonoured, *i.e.* the party from whom it was received will be debited and Bills Receivable Account credited, and the new Bill treated *de novo*. If a charge is made for renewal, the amount of such charge will be debited to the party liable under the Bill, and a corresponding credit entry made to Discounts Account.

**85.** The following entries show the method of recording Bills of Exchange in the books of A. under the circumstances stated in connection with Bills Payable in par. 83 : (1) assuming the Bill to have been discounted by A. with his Bankers, (2) assuming the Bill to have been held by A. until it matured.

1.

*Dr.* B. *Cr.*

| | | £ | s. | d. | | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| 1908. Feb. 1 | *To Goods* . . . | *100* | *0* | *0* | 1908. Feb. 2 | By Bills Receivable . . | 100 | 0 | 0 |
| May 5 | To Bank (Bill returned) . | 100 | 0 | 0 | May 5 | By Bills Receivable . . | 101 | 10 | 0 |
| " | " Interest . . | 1 | 10 | 0 | | | | | |
| | | 101 | 10 | 0 | | | 101 | 10 | 0 |

Dr. BILLS RECEIVABLE. Cr.

| | | £ | s. | d. | | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| 1908. | | | | | 1908. | | | | |
| Feb. 2 | To B. . . . . | 100 | 0 | 0 | Feb. 15 | By Bank . . . | 98 | 18 | 5 |
| | | | | | „ | „ Discount . . | 1 | 1 | 7 |
| | | 100 | 0 | 0 | | | 100 | 0 | 0 |
| May 5 | To B. . . . . | 101 | 10 | 0 | | | | | |

Dr. BANK ACCOUNT. Cr.

| | | £ | s. | d. | | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| 1908. | | | | | 1908. | | | | |
| Feb. 15 | To Bills Receivable . . | 98 | 18 | 5 | May 5 | By B. Bill retired[1] | 100 | 0 | 0 |

Dr. INTEREST AND DISCOUNT ACCOUNT. Cr.

| | | £ | s. | d. | | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| 1908. | | | | | 1908. | | | | |
| Feb. 15 | To Bills Receivable . . | 1 | 1 | 7 | May 5 | By B. . . . . | 1 | 10 | 0 |

## 2.

Dr. B. Cr.

| | | £ | s. | d. | | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| 1908. | | | | | 1908. | | | | |
| Feb. 1 | *To Goods* . . . | *100* | *0* | *0* | Feb. 2 | By Bills Receivable . . | 100 | 0 | 0 |
| May 5 | To Bills Receivable . | 100 | 0 | 0 | May 5 | By Bills Receivable . . | 101 | 10 | 0 |
| | „ Interest . . | 1 | 10 | 0 | | | | | |
| | | 101 | 10 | 0 | | | 101 | 10 | 0 |

[1] To "retire" a Bill is to take it up and pay for it before it is due, in order to prevent it being formally presented for payment on maturity.

*Dr.* **BILLS RECEIVABLE.** *Cr.*

| | | £ | s. | d. | | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| 1908. | | | | | 1908. | | | | |
| Feb. 2 | To B. . . . . | 100 | 0 | 0 | May 5 | By B. . . . . | 100 | 0 | 0 |
| May 5 | To B. . . . . | 101 | 10 | 0 | | | | | |

*Dr.* **INTEREST AND DISCOUNT ACCOUNT.** *Cr.*

| | | £ | s. | d. | | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| 1908. | | | | | 1908. | | | | |
| | | | | | May 5 | By B. . . . . | 1 | 10 | 0 |

**86.** Occasionally (but not very often in these days of increased banking facilities) a business house will pay its debts by passing over some of its Bills Receivable to creditors, subject to Discount. The bookkeeping entries in such circumstances are exactly the same as if the Bills had been discounted with Bankers, save that the account to be credited will be the account of the party to whom the Bills are handed over, instead of the Bank Account.

**87.** In connection with transactions in foreign Bills, it is not uncommon for a creditor to draw the Bill in favour of a third party to whom he is desirous of making a remittance who resides in the same country as his debtor, and to forward such Bill direct to the third party, leaving him to present it to the drawee for acceptance. The record of such transactions in the books of account is precisely the same as if the Bill had been discounted in the ordinary course—save that it does not necessarily follow that

any Discount will actually be charged, and save that the Bill is "negotiated" (*i.e.* handed over to a third party) *before* acceptance instead of afterwards. This last-named circumstance, however, does not in any way affect the mode of entry in the books.

**88.** When Bill transactions are infrequent, it is usual for the necessary records to be passed through the ordinary form of Journal, but business houses having numerous dealings with Bills find it convenient to employ specialised Journals for their initial record, called respectively "Bills Receivable Book" and "Bills Payable Book." In essence these books are upon the same lines as a Sales or Purchases Journal; but, in order to supply useful information as to Bills outstanding from time to time, the ruling is commonly elaborated upon some such lines as those shown below. Attention is particularly drawn to the columns marked "Date of Maturity," which it will be seen are so ruled as to enable the Bills falling due in each month to be readily perceived, thus enabling a business house readily to ascertain what monies it will have to find to meet its Bills Payable, and what monies it may expect to collect on its outstanding Bills Receivable. The employment of Bill Books, as of other forms of specialised Journal, reduces the number of entries necessary in the Ledger by enabling periodical totals to be substituted for items in the Bills Receivable Account and the Bills Payable Account, and inasmuch as all needful detail is provided by the Bills Books themselves, the absence of detail in the Ledger causes no inconvenience.

## BILLS RECEIVABLE BOOK.

| No. of Bill. | Date Received. | From whom Received. | L. Fo. | Amount of Bill. | | | Drawers. | Acceptors. | Where Payable. | Date of Bill. | Term. | Date of Maturity. | | | | | | | | | | | | Remarks. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | Jan. | Feb. | Mar. | April. | May. | June. | July. | Aug. | Sept. | Oct. | Nov. | Dec. | |
| | | | | £ | s. | d. | | | | | | | | | | | | | | | | | | |

## BILLS PAYABLE BOOK.

| No. of Bill. | When Accepted. | On whose Account. | L. Fo. | Amount of Bill. | | | Drawers. | Payees. | Date of Bill. | Term. | Date of Maturity. | | | | | | | | | | | | Remarks. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | Jan. | Feb. | Mar. | April. | May. | June. | July. | Aug. | Sept. | Oct. | Nov. | Dec. | |
| | | | | £ | s. | d. | | | | | | | | | | | | | | | | | |

## CHAPTER IX

### GOODS ACCOUNTS AND TRADING ACCOUNTS

89. In most commercial businesses the profit—or, at all events most of the profit—is made in the course of buying and selling goods, which may be sold in precisely the same form as when purchased (as in the case of a trader's or merchant's business), or in some altered or modified form (as in the case of a manufacturer's business). In either event the actual transactions involved in the handling of such goods will be very considerable, and while it is of the greatest importance that the record should be adequate to provide all needful information, and to safeguard against irregularity and waste, the mere volume of the transactions makes it difficult, and often impossible, for an absolutely complete record to be kept at the time. In order that the methods commonly adopted in commercial accounting may be clearly understood, however, it is desirable that the proper record in connection with quite simple cases should first be described.

90. Assuming that only one class of goods is dealt in, and that those goods, while they remain on hand, are in the custody of a warehouseman or stockkeeper, a convenient mode of accounting would be to open a Ledger Account, headed (say) "Goods Account," which would be debited from time to time with the value of all goods received into stock, for which the storekeeper becomes responsible; the corresponding credit in each case being made to the account of the party from whom such goods were purchased, or if the goods had been purchased for cash, the corresponding credit would be in the Cash Book. Entries on the debit side of the Goods Account are thus entries of *additions to stock*, representing a corresponding increase in the amount for which the storekeeper is responsible. On the other hand, as goods are sold and delivered to customers, their respective accounts

will be debited as having received the goods, and the corresponding credit would be to the "Goods Account," as representing that the benefit had been imparted to the several customers at the expense of the "Goods Account," and that to a corresponding extent the responsibility of the storekeeper had been reduced. So long as all goods are credited to the Goods Account at the price that they originally cost, it is clear that under no circumstances could the Goods Account show a credit balance, and further that any debit balance it may show from time to time must represent the cost price of those goods that have not been sold, and which therefore remain in stock or in the custody of the storekeeper.

91. In some businesses where goods are handled in large quantities at a time, it may be quite practicable to arrange that, upon goods being sold, an entry may thus be made crediting the Goods Account with the cost price thereof, debiting the customer with the *selling* price, and crediting a Nominal Account called "Gross Profit Account," or "Profit on Trading Account," with the difference between cost and selling prices, such entries being made through the Journal in respect of each separate transaction, as follows:—

**JOURNAL, 1908.**

| | | | Dr. £ | s. | d. | Cr. £ | s. | d. |
|---|---|---|---|---|---|---|---|---|
| June 16 | Herbert Spencer & Co. . . . . . . . | | 116 | 0 | 0 | | | |
| | To Goods Account . . . . . | | | | | 98 | 0 | 0 |
| | ,, Gross Profit Account . . . | | | | | 18 | 0 | 0 |
| | *Being goods costing £98 sold to them this day for £116.* | | | | | | | |

92. Even under these circumstances, however, it is impossible to avoid introducing some complication into the Goods Account, as from time to time it may be found that goods remaining unsold have deteriorated in value (or depreciated, as it is called), with the result that it would convey a misleading impression if they were to continue to be valued in the books at cost price. In these circumstances the only course, when it is decided to recognise

the facts and to "write down" the value of the unsold stock, is to make a further Journal entry, crediting Goods Account with the estimated amount of such loss, or depreciation, and debiting the same amount against "Gross Profit Account"—for the loss arising in respect of Goods unsold is naturally a proper set-off against the profits earned on goods that have been sold.

**93.** It will thus be seen that, even under the most favourable circumstances, it is rarely practicable to altogether exclude from the Goods Account entries relating to profit or loss on the handling of the goods. When, moreover, the transactions are very numerous, it will be seen that this method of recording sales —involving, as it does, three separate entries in the Ledger in respect of each transaction—is cumbersome. Again, it is often impossible to state exactly what was the cost price of the goods sold, owing partly to the fact that goods of precisely the same description may sometimes be purchased at different prices on different dates, and partly because, the goods having been manufactured upon the premises, their actual cost price can at best only be estimated. In these circumstances it has become very customary to abandon the attempt to split up the selling price of each parcel of goods into cost price and gross profit, and to credit *the whole of the selling price* to the Goods Account. This process greatly simplifies the bookkeeping, as it enables the Sales to be recorded in a Sales Day Book, from which postings are made in detail to the debit of the various customers' accounts, while the periodical total only of the Sales is posted to the credit of the Goods Account. Thus, instead of there being three distinct entries in the Ledger in respect of each separate transaction, there is only one such entry made at the time, and one more entry made later to complete the double-entry in respect of several hundred (or even thousand) such transactions.

**94.** The effect of crediting the Goods Account with the selling price of the goods sold, instead of the cost price, is to credit it not only with the cost price but also with the Gross Profit. Thus the information formerly comprised in the Goods Account and the Gross Profit Account is now mixed up all together, and all included in the Goods Account, which under these circumstances is more usually called a "Trading Account." The "pure" Goods Account showed from time to time a debit balance representing the cost price of the goods unsold. The Gross Profit

Account similarly showed a credit balance representing the gross profit earned on the goods that had been sold. If the two accounts be combined in the Trading Account, it will show a balance representing *the difference between* the cost price of the goods unsold and Gross Profit earned on the goods that have been sold, or—which amounts to the same thing—the difference between the true value of the goods unsold (after deducting depreciation) and the Gross Profit earned as a result of trading operations.

95. It has been stated that the balance shown by the Trading Account from time to time will be the difference between these two figures. It is obvious, however, that this will only be the case if the periodical totals of Purchases and Sales have been entered up to date. It will also be obvious that, if the actual amount of Gross Profit earned could be ascertained by any independent means, this information, combined with a knowledge of the balance on the Trading Account, would enable us to ascertain the value of the unsold Stock. Similarly, if we can by any other means ascertain the value of the unsold Stock, we are in a position to ascertain the Gross Profit on the trading. Ordinarily there will be no independent means of ascertaining the amount of the Gross Profit, but the value of the unsold Stock can be ascertained by the process known as "Stock-taking"—that is, by inspecting, measuring, and weighing all the goods remaining in stock on any given date, pricing out the quantities thereof, and thus compiling an Inventory which will give us the valuation required. Obviously, however, if there has been any mistake in the preparation of this inventory, the deduction it enables us to draw as to the value of the Gross Profit will be correspondingly inaccurate. If the Stock has been over-valued, we shall arrive at an exaggerated idea of the amount of Gross Profit earned; and, similarly, if the Stock has been under-valued, we shall arrive at the conclusion that the amount of Gross Profit earned is smaller than has actually been the case: hence the importance of great care in the preparation of the Stock Inventory, as the system of accounting employed provides no independent check to enable us to test the accuracy of this portion of the work. Generally, however, those connected with a business will know, within certain limits, the amount of Gross Profit that is likely to have been made upon a given volume of Sales, and if the Gross Profit shown by a Trading Account represents a larger percentage on the Sales than this figure, they will naturally regard the matter as sufficiently

unusual, or unlikely, to call for further and very careful inquiry before the accuracy of the accounts is admitted.

**96.** To enable the student to perceive clearly how the Trading Account, as usually prepared, is a combination of the Goods Account and the Gross Profit Account, the following *pro formâ* example is given :—

*Dr.* GOODS ACCOUNT. *Cr.*

| | | T. | cwt. | qrs. | £ | s. | d. | | | T. | cwt. | qrs. | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1907. Sept. 1 | To H. Harris . | 245 | 0 | 0 | 428 | 15 | 0 | 1907. Sept. 5 | By J. Wilson & Sons . | 100 | 0 | 0 | 175 | 0 | 0 |
| | | | | | | | | „ 7 | „ T. Frith . | 120 | 0 | 0 | 210 | 0 | 0 |
| | | | | | | | | „ 30 | „ Balance (being Stock unsold) . | 25 | 0 | 0 | 43 | 15 | 0 |
| | | 245 | 0 | 0 | 428 | 15 | 0 | | | 245 | 0 | 0 | 428 | 15 | 0 |
| Oct. 1 | To Balance . . | 25 | 0 | 0 | 43 | 15 | 0 | | | | | | | | |

*Dr.* GROSS PROFIT ACCOUNT. *Cr.*

| | | £ | s. | d. | | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| 1907. Sept. 30 | To Profit and Loss Account . | 80 | 0 | 0 | 1907. Sept. 5 | By J. Wilson & Sons . . . | 50 | 0 | 0 |
| | | | | | „ 7 | „ T. Frith . . | 30 | 0 | 0 |
| | | 80 | 0 | 0 | | | 80 | 0 | 0 |

*Dr.* TRADING ACCOUNT. *Cr.*

| | | £ | s. | d. | | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| 1907. Sept. 1 | To H. Harris . . | 428 | 15 | 0 | 1907. Sept. 5 | By J. Wilson & Sons . . . | 225 | 0 | 0 |
| „ 30 | „ Gross Profit (transferred to Profit and Loss Account) . . | 80 | 0 | 0 | „ 7 | „ T. Frith . . | 240 | 0 | 0 |
| | | | | | „ 30 | „ Balance (unsold Stock valued at Cost) . . . | 43 | 15 | 0 |
| | | 508 | 15 | 0 | | | 508 | 15 | 0 |
| Oct. 1 | „ Balance . . | 43 | 15 | 0 | | | | | |

**97.** It has already been stated that Sales are recorded in Sales Day Books, the periodical totals only of which are posted to the credit side of the Trading Account. It should be added, however, that in practice it is usual to open separate Ledger Accounts for "Sales" and "Purchases" respectively, for the purpose of further collecting totals to enable the entries in the Trading Account itself to be as condensed as possible. The periodical totals of the Sales Day Books would be posted to the credit side of the Sales Account, and the periodical totals of the Sales Returns Book to the debit side of the Sales Account. At the end of the year (or half-year) the credit balance of the Sales Account is thus the total Sales *less* the Sales Returns (or the Net Sales), and that figure alone is transferred to the credit of the Trading Account. Similarly, with regard to Purchases, the periodical totals of the Purchases Books are debited to a Purchases Account, and the periodical totals of the Purchases Returns Book credited to the Purchases Account. Thus when the books are balanced yearly (or half-yearly) the debit balance of the Purchases Account, representing the Net Purchases for the period, alone is transferred to the debit of the Trading Account. Thus, no matter how numerous the transactions may have been, the Trading Account for a period will consist only of three items upon the debit side, and two upon the credit side, as shown below—

*Dr.* TRADING ACCOUNT. *Cr.*

| 1907. | | £ | s. | d. | 1907. | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| Sept. 1 | To Balance (Stock) . . | 0 | 0 | 0 | Sept. 30 | By Sales . . . | 465 | 0 | 0 |
| „ 30 | „ Purchases . . | 428 | 15 | 0 | „ 30 | „ Balance (Stock) . . | 43 | 15 | 0 |
| „ 30 | „ Gross Profit (to Profit and Loss Account) . | 80 | 0 | 0 | | | | | |
| | | 508 | 15 | 0 | | | 508 | 15 | 0 |
| Oct. 1 | „ Balance . . | 43 | 15 | 0 | | | | | |

**98.** It often happens that a business house, instead of confining itself to trading in one class of goods, deals in many quite distinct classes. Thus most large traders divide their business

into numerous different "departments," each dealing with a distinct class of goods, and each being under the control of a distinct manager. Under these circumstances it is desirable that there should be a separate Trading Account for each department, so that the result of its operations may be readily ascertained, and the efficiency of its management made apparent. Each such Departmental Trading Account will of course require its subsidiary Sales and Purchases Accounts, and these in their turn will each require separate books of first entry, or columnar books enabling the Sales and Purchases to be departmentally analysed, as already shown on p. 51.

# CHAPTER X

## CONSIGNMENT ACCOUNTS

99. In the case of merchants transacting a foreign business it sometimes happens that, in addition to executing orders received from customers abroad, they may think it desirable to forward goods to a foreign market in the hope that a purchaser may there be found for them at a satisfactory price. Such speculations are technically known as "Consignments," and this was at one time the normal method of conducting a foreign merchant's business. With the introduction of telegraphs and systems of cabling in code—which make one word do duty for several, and thus considerably reduce expense—Consignment transactions are much less general than they used to be. They are, however, still of frequent occurrence, and therefore call for description in this volume.

100. A merchant sending goods to a foreign market is technically known as the "Consignor." The agent to whom he forwards those goods is called the "Consignee." The Consignor may, of course, give any special instructions to the Consignee that he may think fit; but, as a rule, the instructions will be merely to sell the goods to the best advantage, and to remit the proceeds after deducting expenses. In such a case the Consignor bears all risks, except such as he may have insured against, *e.g.* fire, wreckage, etc. Occasionally, however, a special arrangement is entered into, under which the Consignee becomes liable in the event of the person to whom he has sold the goods consigned failing to pay for them. In that event he is called a "*del credere* agent," and receives a special "*del credere*" commission (usually about 1½%) in addition to his ordinary commission—probably 2½%—for handling the Consignment. The goods having all been sold by the Consignee (and the proceeds collected, if he is not acting *del credere*), what is called an "Account Sales" is forwarded to

the Consignor, showing the gross proceeds of the consignment, and the expenses in connection therewith incurred by the Consignee and chargeable against the venture. The Net Proceeds represent the balance for which the Consignee has to account to the Consignor, which is usually remitted to the Consignor by the Consignee *purchasing* a Draft, payable where the Consignor resides, for as much money as he is able to obtain on the spot with the balance for which he has to account. [In this connection it should be remembered that the Consignee, being abroad, will probably record his transactions in a currency different from the English currency. Questions of foreign currencies and foreign exchange are, however, beyond the scope of the present volume, and the *pro formâ* transactions illustrating below a Consignment forwarded to a British Colony have accordingly been selected for the sake of simplicity.] Sometimes at the time of forwarding his goods, the Consignor "draws upon" the Consignee for a sum on account representing, say, two-thirds of the estimated realisable value of the goods. In that event the Consignee has, of course, only to account for the balance when rendering his Account Sales.

101. It will be observed that a Consignment represents a distinct venture, in respect of which it is necessary that an account should be kept, separating it from the ordinary transactions in the books of both Consignor and Consignee. In the books of the Consignor the venture may be regarded as a distinct "department," opened for a limited period of time, and managed by the Consignee. It will therefore be necessary to open two Ledger Accounts in the Consignor's books—one a Trading Account dealing with the consignment (usually called a "Consignment Account, No. "), and the other a personal account showing the position of affairs between Consignor and Consignee. Upon the goods being sent in the first instance, the Consignor's Goods Account (or Purchases Account) is credited and Consignment Account debited with their cost, and the Consignment Account is further debited with any expenses incurred by the Consignor in the way of carriage, freight, insurance, etc. Upon receiving the Account Sales, the Consignor passes two Journal entries, one debiting the Consignee and crediting the Consignment Account with the gross proceeds, and the other debiting the Consignment Account and crediting the Consignee with all expenses properly charged by the latter. This done, the Consignment Account will show a balance which, if a credit balance, represents the profit reaped on the venture,

and if a debit balance, the loss thereon; while the Consignee's Account will show a debit balance representing the exact amount due from him. Upon this being remitted, the Consignee will be credited, and his account closed. It only remains to be added that, if the Consignment was one in which the Consignor was interested jointly with some other person, as is sometimes the case, the Ledger Account is usually headed "Joint Venture, No. ", instead of "Consignment Account No. "; and, upon the profit or loss being ascertained, it must be divided in the proportions previously agreed upon, the co-adventurer being credited with his share of the profit (or debited with his share of the loss, as the case may be), the remainder only being credited (or debited) to the Profit and Loss Account, or an account headed "Profits on Consignments Account" appearing in the Consignor's books.

**102.** The following *pro formâ* Ledger Accounts illustrate a consignment recorded upon these lines :—

*Dr.* CONSIGNMENT ACCOUNT, NO. . *Cr.*

| 1908. | | £ | s. | d. | 1908. | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| Jan. 20 | To Indigo . . . | 1200 | 0 | 0 | Apl. 15 | By T. White & Co., Gross proceeds . . | 1381 | 5 | 0 |
| „ 22 | „ Cash: Freight | 10 | 10 | 0 | | | | | |
| Apl. 15 | „ T. White & Co., Expenses . | 59 | 6 | 3 | | | | | |
| „ 15 | „ Profit and Loss Account . . | 111 | 8 | 9 | | | | | |
| | | 1381 | 5 | 0 | | | 1381 | 5 | 0 |

*Dr.* T. WHITE & CO. (CONSIGNMENT NO. ). *Cr.*

| 1908. | | £ | s. | d. | 1908. | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| Apl. 15 | To Consignment Account . . | 1381 | 5 | 0 | Apl. 15 | By Consignment Account . . | 59 | 6 | 3 |
| | | | | | „ 15 | „ Bills Receivable . . | 1321 | 18 | 9 |
| | | 1381 | 5 | 0 | | | 1381 | 5 | 0 |

20
H.B.
1

**ACCOUNT SALES of 20 Chests of Indigo received from Henry Brown *ex* SS. *California* on February 15, 1908.**

| | £ | s. | d. | £ | s. | d. |
|---|---|---|---|---|---|---|
| Gross proceeds . . . . . . . . . . . . | | | | 1381 | 5 | 0 |
| *Less:* | | | | | | |
| Dock Dues . . . . . . . . . . . . | 6 | 4 | 5 | | | |
| Cartage . . . . . . . . . . . . . | 2 | 10 | 0 | | | |
| Storage . . . . . . . . . . . . . | 2 | 5 | 0 | | | |
| *Del Credere* at 1½% . . . . . . . . | 20 | 14 | 4 | | | |
| Commission . . . . . . . . . . . | 27 | 12 | 6 | | | |
| | | | | 59 | 6 | 3 |
| Net proceeds (Draft herewith) . . . . | | | | 1321 | 18 | 9 |
| E. and O.E. | | | | | | |
| Thos. White & Co. | | | | | | |
| 18/3/08. | | | | | | |

**103.** In the books of the Consignee the position is that he is for the time being managing a business on behalf of his principal, in respect of which he has to account to his principal. He therefore opens a Trading Account quite distinct from his own Trading Account headed "Consignment from          , No.     ", which will be exactly the same as the corresponding account kept in the Consignor's books, save that the Consignee will not be made acquainted with the expenses incurred by the Consignor, and will thus not include them in his record. He will also open a Personal Account in the name of the Consignor, in order to show from time to time the amount in respect of which he is accountable. Where a separate remittance is forwarded in respect of each Consignment, as concluded, it is the usual practice to open a separate Personal Account in respect of each Consignment, even if the parties are in the habit of having numerous dealings; but where, as is sometimes the case, the account between Consignor and Consignee is allowed to run on as an "Account Current," then of course only one Personal Account is necessary, and in that event it is usual for the Account Current to carry interest.

**104.** The following *pro formâ* transactions illustrate those already recorded on p. 81, as they would be dealt with in the books of the Consignee.

*Dr.* **CONSIGNMENT FROM HENRY BROWN, NO. .** *Cr.*

| | | £ | s. | d. | | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| 1908. | | | | | 1908. | | | | |
| Feb. 15 | To Henry Brown | 1200 | 0 | 0 | Mar. 18 | By Sundry Persons . . . | 1381 | 5 | 0 |
| Mar. 18 | " Sundry Expenses . . | 59 | 6 | 3 | | | | | |
| " 18 | " Henry Brown | 121 | 18 | 9 | | | | | |
| | | 1381 | 5 | 0 | | | 1381 | 5 | 0 |

*Dr.* **HENRY BROWN.** *Cr.*

| | | £ | s. | d. | | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| 1908. | | | | | 1908. | | | | |
| Mar. 18 | To Bills Payable | 1321 | 18 | 9 | Feb. 15 | By Henry Brown | 1200 | 0 | 0 |
| | | | | | Mar. 18 | " " " | 121 | 18 | 9 |
| | | 1321 | 18 | 9 | | | 1321 | 18 | 9 |

## CHAPTER XI

### ADJUSTING ENTRIES, DEPRECIATION, BAD AND DOUBTFUL DEBTS

105. Reference has already been made to the fact that certain classes of transactions are not customarily recorded in books of account at the precise moment of their occurrence, and that therefore whenever it is proposed to balance the books with a view to ascertaining the position of affairs up to that date, it is necessary to make careful inquiry as to what additional (or "adjusting") entries are necessary, in order that the books may be an absolutely complete record of all that has occurred up to date. The treatment in respect of regularly recurring items of income and expenditure, and of items paid in advance in respect of which an apportionment is necessary, has already been described (p. 27). It remains, however, to consider two somewhat important matters: (1) the Provision for Depreciation of Wasting Assets, (2) the Provision for Bad and Doubtful Debts.

106. The treatment of Depreciation is an important and highly technical matter, that can only be dealt with in very general terms in the present volume. It may be stated shortly, however, that the principle is that the cost of anything actually consumed in earning profits is an expense chargeable against those profits. This is a principle which is readily admitted in cases where the consumption is rapid, and therefore perceptible. Thus no one would think of disputing the assertion that the cost of pens and ink was a proper charge against the profits of a professional business, or that oil used for the lubrication of machinery was a proper charge against the profits of a manufacturer. Where, however, the life of the article consumed is longer, there is more risk of the matter being overlooked, because it has to be specially dealt with at balancing time instead of being naturally included in the books from day to day. Whatever the

nature of the asset may be, however, it must be clear, as a matter of principle, that the cost of an asset which lasts for one hour is a proper charge against the profits earned during that hour; that the cost of an asset which lasts for a week is a proper charge against the profits earned during that week; that the cost of an asset which lasts for a month is a proper charge against the profits earned during that month; that the cost of an asset which lasts for a year is a proper charge against the profits earned during that year; and that the cost of an asset which lasts for fifty years is a proper charge against the profits earned during those fifty years.

**107.** The difficulty of applying this principle in practice arises partly from the fact that, in the case of assets that last a considerable number of years, their deterioration may be so gradual as to be practically imperceptible, and therefore not to be noticed; and partly because of the difficulty of determining with certainty exactly how long an asset will be available for use. It may be admitted that it is not always possible to state in advance exactly how long a Wasting Asset will continue to serve its purpose as a profit-earner; but that is, of course, no reason for going to the other extreme, and therefore assuming that it will last for ever. In the great majority of cases experience enables a fairly close estimate to be made of the working life of any asset, so that although doubtless it is never possible to state with absolute accuracy the amount necessary to provide for Depreciation as a charge against the profits of any one year, an estimate very closely approximating to the true charge can in almost all cases be arrived at without serious difficulty.

**108.** The next point to bear in mind is that while the total cost of a Wasting Asset should be charged against the profits of the period covered by its working life, where that life exceeds one year, the charge must be fairly apportioned against the several years of the life, having regard to the extent to which the asset contributed to the profits of each of the series of years. There are various methods of providing for Depreciation in general use, but for present purposes it will be sufficient to describe three, which are as follows:—

(1) An equal proportion of the cost of the asset is charged against the profits of each year during its estimated working life. Thus if an asset costing £155 is estimated to last 15½ years, the

charge would be at the rate of £10 per annum. Ordinarily, however, fractions of a year are disregarded, and the cost would therefore be increased to £10 6*s*. 8*d*. per annum, which would be a little upon the "safe" side.

(2) The second method is to provide for Depreciation by a fixed percentage on the balance carried forward from year to year on the Asset Account. Thus if provision be made at the rate of 10% per annum on an asset costing £100, the charge against profits in the first year is £10, in the second year £9 (*i.e.* 10% on the balance of £90 brought forward at the commencement of the second year), and so on; the charges against the profits of each successive year being proportionately reduced. The object of this system is to provide some compensation for the fact that new assets are usually more effective as profit-earners than old assets, and also cost less to keep in repair. It is necessary to bear in mind, however, that 10% per annum on the "reducing balance" will by no means write off the original cost in ten years. On the contrary, it will only succeed in writing off about two-thirds of the original cost in that period. If this method be employed, it is necessary, therefore, to charge a heavier rate than will be necessary under method (1).

(3) The third method is to combine with method (1), already stated, an actual setting aside of money to provide for the cost of renewal by investing in Government securities (or otherwise outside the business) sums equal to those annually charged against profits, and also investing the interest that they produce. This method is especially valuable in cases where considerable sums will be required at the time when the assets have to be renewed (as, for instance, when the lease of business premises expires, and another has to be purchased at considerable expense); but in the case of provision for the Depreciation of numerous assets, having varying terms of working life (*e.g.* the plant and machinery of an ordinary manufacturer), the amount of money actually required from year to year for purposes of renewal will often not vary sufficiently to make it worth while to take any special precautions to save up the money in advance.

**109.** With regard to the provision for Bad and Doubtful Debts, it has already been pointed out (p. 57) that commercial bookkeeping proceeds upon the assumption that business men will meet their engagements. Accordingly, when a profitable transaction has been embarked upon, credit is taken for that

profit forthwith, without waiting for the transaction to be completed by the passing of actual money between the parties. Hence it follows that, if it should subsequently appear that those who have become liable to make payments are unable to do so, the loss thereby sustained must be regarded as a distinct "transaction," and recorded as such.

110. It is usual, when a set of books are about to be balanced, for some one having a knowledge of the circumstances to go carefully through the list of outstanding Debtors' balances, in order to see what provision ought to be made to meet any loss that is likely to arise on the collection of these debts. The total amount of such provision should be passed through the Journal to the debit of a Nominal Account called "Bad Debts Account" (which will eventually be charged against profits), and credited to an account headed "Reserve for Bad and Doubtful Debts" (which is in the nature of a Suspense Account). From time to time, when it becomes absolutely hopeless to expect to recover anything upon an outstanding debt—but not before—a Journal entry should be made, writing off such Bad Debt by crediting the customers' account, and debiting "Reserve for Bad and Doubtful Debts Account." Thus the provision made for Bad and Doubtful Debts in one year will be gradually absorbed in subsequent years in writing off debts then known to be absolutely bad. At the end of each succeeding year the list of outstanding balances should again be scrutinised; and if it should appear likely that the loss on collection will exceed the balance standing to the credit of Reserve for Bad and Doubtful Debts Account, the amount of such Reserve should be increased by a further charge to Bad Debts Account. In the majority of cases some such charge will be necessary in every year.

## CHAPTER XII

### CLOSING THE LEDGER

111. It has already been stated that the Trial Balance is a summary of all the Ledger Accounts outstanding at any given date, and therefore a complete statement of all those transactions entered into that have not been completed or settled. These outstanding transactions may be classified under two headings: (1) transactions between the business and its Proprietary, *i.e.* profits earned by the business that have not yet been accounted for to the Proprietary, and losses sustained (or expenses incurred) in earning such profits, which the business is entitled to set off against them; (2) transactions between the business and its agents or outside business houses which, pending completion by actual payment, involve the one party or the other in a liability to account for benefits received. This second class may be further sub-divided into (*a*) liabilities to account in money, *i.e.* debts due to, or by, the business; (*b*) liabilities to account in kind, *i.e.* property belonging to the business which for the time being is in the custody, or safe-keeping, of others.

112. It will be observed that in the case of a large business where the number of outstanding balances is often considerable, it may be very difficult—or even quite impossible—to form any idea of how matters stand from a mere perusal of the Ledger, or even from a study of its summary, the Trial Balance. It is customary, therefore, at stated periods—usually once a year, but in some cases at more frequent intervals, *e.g.* half-yearly or quarterly—to "close the books," as it is called, and to prepare a Revenue Account, or Profit and Loss Account, summarising the transactions between the business and its Proprietors, and a

Balance Sheet summarising the outstanding obligations between the business and those with whom it has outstanding transactions. As the Trial Balance is in itself a complete summary of all the outstanding transactions, it follows that from the Trial Balance may be obtained all the information necessary to prepare both the Profit and Loss Account and the Balance Sheet. It is necessary, however, to examine each of the items carefully, in order to determine to which of the two it properly belongs.

113. Speaking in general terms, the Profit and Loss Account is a summary of the outstanding balances on all the Nominal Accounts, while the Balance Sheet is a summary of the outstanding balances on all the Real and Personal Accounts; but it is necessary to make sure that all "imperceptible transactions" (p. 25) have been duly recorded, or it may be that items properly appearing on a Nominal Account appear on a Real or Personal Account, or *vice versâ*. On the credit side of the Profit and Loss Account should appear all those credit balances representing benefits received by the business that will not have to be accounted for to other parties, and are therefore due to the Proprietary as profits; while on the Liabilities' side of the Balance Sheet will appear all those credit balances which represent benefits received by the business that it will have to repay or return in due course, and are therefore properly regarded as outstanding debts due by the business at that date. Thus every credit balance appears either on the credit side of the Profit and Loss Account or upon the Liabilities' side of the Balance Sheet, and no credit balance appears on both.

114. On the other hand, debit balances, which represent primarily benefits or expenditure imparted by the business, in so far as they are represented by a debt actually due to the business, or by actual property of a corresponding value in the possession or custody of some agent of the business and under its control, are properly regarded as "assets" of the business, and placed upon the Assets' side of the Balance Sheet; while those debit balances which are not thus represented by any valuable asset are treated as losses or expenses, and as such properly chargeable against the Proprietary, and are therefore debited to the Profit and Loss Account. It will thus be seen that every debit balance appears either on the Assets' side of the Balance Sheet or on the

debit side of the Profit and Loss Account, and that no item appears on both.

115. In closing the books at the end of a year, or other financial period, the first step, therefore, is to look carefully through the items in the Trial Balance, and to determine which of these items are Revenue items, and to proceed at once to transfer these Ledger balances to the Profit and Loss Account. This transfer may be effected by means of two Journal entries, one debiting the Profit and Loss Account with the total of all the debit balances on Nominal Accounts, and crediting each such account with the amount of its respective balance, while the second Journal entry debits each nominal Account having a credit balance with the amount thereof, and credits the total of such balances to the Profit and Loss Account. Thus when these two Journal entries have been duly posted, the effect will have been to remove all the balances outstanding on the various Nominal Accounts to the Profit and Loss Account, which has thus become a summary of all the other Nominal Accounts.

116. If the Profit and Loss Account shows a credit balance, the total profits earned (for which the business has to account to the Proprietary) exceed the business expenses and losses; and therefore, upon balance, there is this amount due to the Proprietary from the business, as representing the Net Profit of the business for the period under review. The amount having thus been ascertained, may be transferred to the credit of the Current Account by means of a Journal entry debiting Profit and Loss Account and crediting Current Account. If the business is owned by two or more persons trading in partnership, the amount of Net Profit, when ascertained, will be divided between them in the proportions previously agreed upon, and each partner's share will be transferred to his separate Current Account. If on the other hand the business is owned by a Company, the Net Profit, when ascertained, will be transferred to an account called "Appropriation Account," or "Net Revenue Account," and will be shown as a separate item on the Balance Sheet so long as it remains undivided.

117. In the event of the Profit and Loss Account showing a debit balance, the inference is that the expenses and losses incurred

in carrying on the business have exceeded the profits earned, and that therefore the business as a whole has been carried on at a Loss. Such Loss would be dealt with in the same manner as Profits *mutatis mutandis;* that is to say it will be transferred to the debit of the Proprietor's Current Account; or in the case of a partnership, divided, and each partner's proportion debited to his Current Account; while in the case of a Company it will be transferred to the debit of the Appropriation Account or Net Revenue Account.

118. The Nominal Accounts having thus been "closed," the only balances remaining outstanding in the Ledger will be those that represent actual assets or liabilities of the business. It will be observed, however, that in the case of a sole proprietor or a partnership the Current Account (or Accounts) will have been altered by the transfer thereto of the Net Profit, or Loss, to date, as ascertained by the Profit and Loss Account. The Balance Sheet is a summary of these outstanding balances, and if the books have been kept correctly it will be found that the total of the items on the Assets' side is exactly equal to the total of the items on the Liabilities' side. The reason for this is, as has been already stated, that the effect of making a profit is *pro tanto* to increase the surplus of assets over liabilities, but simultaneously to increase the liability of the business to its Proprietary to a precisely similar extent. Inasmuch as the liability of the business to its Proprietary is in the first instance the amount of assets contributed by the Proprietary to the business, it follows that, if all subsequent transactions have been correctly recorded, all those increases of assets that do not involve a corresponding liability to outside parties have been recorded as profits, and all those decreases of assets that do not reduce the liability to outside parties have been correctly recorded as losses. These profits and losses have been collected together and their combined effect ascertained by the process of closing the books, whereupon the Proprietary has been credited with such amount (or debited, as the case may be), thus restoring the balance.

119. It may be noted in passing that the word "assets," while now commonly used to designate property of some pecuniary value, originally meant that which was available wherewith to pay liabilities, and was "sufficient" for that purpose. Inasmuch

as a business is in a position to charge all losses against its Proprietary it is clear that, so long as the Proprietary are able to meet their engagements, the assets of the business itself must always be sufficient to meet its liabilities (including its liability towards the Proprietary) no matter what losses may be sustained.

**120.** In the *pro formâ* Balance Sheet that appears at the close of this chapter, it will be observed that the assets are placed upon the right-hand side of the Balance Sheet, and the Liabilities upon the left. This is in accordance with the usual practice, which regards the Balance Sheet rather as a summary of outstanding balances than as being in itself an actual account. It may be pointed out, however, that it is quite possible to treat the Balance Sheet as an account periodically rendered by the Proprietary to the business, in which the latter is debited with all benefits received from the Proprietary and from outside creditors that have still to be satisfied, and credited with the outstanding assets, which it may by some little flight of imagination be assumed it is willing to part with in consideration of being released from its liabilities. The theory that a Balance Sheet is a Ledger Account is, however, highly artificial, and it is certainly simpler to consider it merely as a periodical statement of the Ledger balances outstanding after all the Nominal Accounts have been closed, which shows the financial position of the business at that particular date.

**121.** The items comprising the Balance Sheet, unlike the items comprising the Profit and Loss Account, are not transferred from their respective Ledger Accounts, but each is brought down on its own account, as shown in par. 49, so that the position of the account on the date of the Balance Sheet may be placed on permanent record. The process known as "closing the books" thus consists of (*a*) distinguishing between those Ledger balances that represent Profit and Loss items and those that do not; (*b*) transferring the former to the Profit and Loss Account; (*c*) transferring the balance of the Profit and Loss Account to the Current Account (or Accounts) of the Proprietary; (*d*) bringing down the remaining outstanding balances in the Ledger, each on its own account; (*e*) preparing a summary of such outstanding balances in the form of a Balance Sheet.

EXAMPLE.—From the following Trial Balance of Henry

James, Auctioneer and Surveyor, prepare Balance Sheet and Profit and Loss Account as on December 31, 1908:—

## TRIAL BALANCE.

| | *December* 31, 1908. | *Dr.* £ | s. | d. | *Cr.* £ | s. | d. |
|---|---|---|---|---|---|---|---|
| c 80 | Cash | 284 | 2 | 4 | | | |
| 1 | Capital | | | | 500 | 0 | 0 |
| 5 | Furniture | 250 | 0 | 0 | | | |
| 8 | Salaries | 162 | 10 | 0 | | | |
| 16 | General Expenses | 31 | 17 | 8 | | | |
| 21 | Smith & Co. | | | | 8 | 10 | 0 |
| 25 | Printing and Stationery | 18 | 10 | 0 | | | |
| 36 | Fees | | | | 374 | 15 | 9 |
| 43 | R. Jones | 122 | 10 | 0 | | | |
| 45 | J. McAdam & Co. | 17 | 5 | 9 | | | |
| 72 | Rent | 75 | 0 | 0 | | | |
| 80 | H. Johnson | | | | 75 | 0 | 0 |
| 87 | Suspense Account | | | | 3 | 10 | 0 |
| | | 961 | 15 | 9 | 961 | 15 | 9 |

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| | | Fo. | £ | s. | d. | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|
| | 31st December. | | | | | | | |
| | Profit and Loss Account | 100 | 287 | 17 | 8 | | | |
| | To Salaries | 8 | | | | 162 | 10 | 0 |
| | " General Expenses | 16 | | | | 31 | 17 | 8 |
| | " Printing and Stationery | 25 | | | | 18 | 10 | 0 |
| | " Rent | 72 | | | | 75 | 0 | 0 |
| | Fees Account | 36 | 374 | 15 | 9 | | | |
| | To Profit and Loss Account | 100 | | | | 374 | 15 | 9 |
| | Profit and Loss Account | 100 | 86 | 18 | 1 | | | |
| | To Current Account | 90 | | | | 86 | 18 | 1 |

(100) *Dr.* **PROFIT AND LOSS ACCOUNT.** *Cr.* (100)

| | | | £ | s. | d. | | | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1908. Dec. 31 | To Salaries . . . . . . . . . | J45 | 162 | 10 | 0 | 1908. Dec. 31 | By Fees . . . . . . . . . . . | J45 | 374 | 15 | 9 |
| ,, ,, | ,, General Expenses . . . | ,, | 31 | 17 | 8 | | | | | | |
| ,, ,, | ,, Printing and Stationery . | ,, | 18 | 10 | 0 | | | | | | |
| ,, ,, | ,, Rent . . . . . . . . . | ,, | 75 | 0 | 0 | | | | | | |
| ,, ,, | ,, Balance, being Net Profit to date, transferred to Current Account . . . | ,, | 86 | 18 | 1 | | | | | | |
| | | | 374 | 15 | 9 | | | | 374 | 15 | 9 |

## BALANCE SHEET.

*December* 31, 1908.

| | *Liabilities.* | £ | s. | d. | £ | s. | d. | | *Assets.* | £ | s. | d. | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Henry James: Capital Account | | | | 500 | 0 | 0 | 5 | Furniture . . . . . . . . . | | | | 250 | 0 | 0 |
| 90 | Henry James: Current Account | | | | 86 | 18 | 1 | | Sundry Debtors, viz.— | | | | | | |
| | Sundry Creditors, viz.— | | | | | | | 43 | R. Jones . . . . . . . . | 122 | 10 | 0 | | | |
| 21 | Smith & Co. . . . . . . . | 8 | 10 | 0 | | | | 45 | J. McAdam & Co. . . . . | 17 | 5 | 9 | | | |
| 80 | H. Johnson . . . . . . . | 75 | 0 | 0 | | | | | | | | | 139 | 15 | 9 |
| 87 | Suspense Account . . . . | 3 | 10 | 0 | | | | c80 | Cash at Bank . . . . . . . | | | | 284 | 2 | 4 |
| | | | | | 87 | 0 | 0 | | | | | | | | |
| | | | | | 673 | 18 | 1 | | | | | | 673 | 18 | 1 |

# CHAPTER XIII

## THE NATURE AND LIMITATIONS OF BALANCE SHEETS

122. From what has been stated in the preceding chapter it will be observed that, in order to ascertain from a set of books the true position of affairs, it is necessary to distinguish accurately between those Ledger balances that should be included in the Profit and Loss Account—and which, in consequence, may properly be described as "Revenue items"—and those which should be included in the Balance Sheet, and which, in consequence, are said to have been "Capitalised." The effect of an error in distinguishing between Revenue and Capital items will not be made apparent by any failure of the accounts to balance. It is thus the more important that special care should be exercised in making the distinction. In working out a *pro formâ* exercise dealing with hypothetical facts there is, of course, no difficulty whatever in distinguishing between Revenue and Capital items, for in the nature of things there is nothing to go by except the indication provided by the headings of the various Ledger accounts; but in actual practice the distinction is much more difficult to observe correctly, and often necessitates some inquiry into the actual circumstances that have led to the entries recorded in the books, and some further inquiry as to whether additional "imperceptible" transactions have not occurred, that have not been recorded in the books, and therefore render the book record *pro tanto* incomplete.

123. It is not practicable to pursue this subject into any very great detail, important as it undoubtedly is. It may be mentioned, however, that if a credit balance that ought to have been included in the Balance Sheet as a liability has been erroneously included in the Profit and Loss Account as a profit, the result will be (1) to overstate the profits of the business, (2) to understate

its liability to outside parties, and (3) to overstate its liability to the Proprietary; while if an item that ought to have been included in the Profit and Loss Account as a profit has been erroneously included in the Balance Sheet as a liability, the effect will be (1) to understate the net profit of the business, (2) to overstate the liabilities of the business to outside parties, and (3) to understate its liabilities to the Proprietary.

124. It should further be borne in mind that, inasmuch as the Ledger balances at any stated time represent the estimated monetary value of uncompleted transactions, these Ledger balances are, with a very few exceptions, in the nature of estimates as to the probabilities of the future, rather than statements of accomplished facts. It thus follows that, apart altogether from the possibility of errors in the apportionment of the various items of the Trial Balance as between Capital and Revenue, there may be *bonâ fide* mistakes as to the monetary value that ought properly to be attached to outstanding balances. It would hardly be overstating matters to say that in actual practice it is rare indeed to find a Balance Sheet prepared, which subsequent experience does not prove to have been inaccurate in one or more particulars. When a business has been definitely completed, the outstanding assets all converted into cash, and the outstanding liabilities all paid, it is possible to state with certainty what Profit or Loss has been made by that business while it was being carried on; but it is in the nature of things quite impossible to prepare accounts that will with equal certainty show the Profit or Loss earned up to any intermediate date during the lifetime of the business. Such intermediate accounts can, in the nature of things, only be approximate. That is, of course, no reason why they should not be prepared with the utmost possible care, so that they may be as reliable as circumstances will permit; but it is important that their necessary limitations should not be lost sight of.

## CHAPTER XIV

### CAPITAL ACCOUNTS AND CURRENT ACCOUNTS OF UNDIVIDED PROFITS

125. REFERENCE has already been made from time to time to the Capital Account and to the Current Account of the Proprietary. It will be convenient, however, to deal with these matters fully in a separate chapter, taking first the case of a business owned by a sole proprietor; secondly, the case of a business owned by two or more persons in partnership; and thirdly, the case of a business owned by a number of persons incorporated as a Company.

126. In the case of a business owned by a sole proprietor, the amount of capital originally adventured in that business by the Proprietor is credited to a Capital Account. If such capital were brought in as cash, the corresponding debit would be to the Cash Account or Bank Account, according to whether the money was handed in the first instance to the cashier or to the bankers of the business; but if, as is sometimes the case, the Capital consists partly of cash and partly of other kinds of assets, then a Ledger Account would be opened in respect of each such asset, which will be debited with the value of that which was brought into the business by the Proprietor, as is shown by the following example, in which it is assumed that certain liabilities of the Proprietor were also taken over by the business at the same time :—

**JOURNAL, 1908.** *Dr.* *Cr.*

| | | Dr. £ | s. | d. | Cr. £ | s. | d. |
|---|---|---|---|---|---|---|---|
| | 1st January. | | | | | | |
| | Business Premises . . . . . . . . . . . | 2000 | 0 | 0 | | | |
| | Stock in Trade . . . . . . . . . . . | 4629 | 1 | 8 | | | |
| | Sundry Debtors . . . . . . . . . . . | 2325 | 13 | 7 | | | |
| | Cash . . . . . . . . . . . . . . | 261 | 15 | 1 | | | |
| | To Sundry Creditors . . . . . . . . | | | | 1216 | 10 | 4 |
| | „ Capital Account . . . . . . . . | | | | 8000 | 0 | 0 |

H

127. It is not uncommon to find that the profits, as shown by the periodical Profit and Loss Account, are regularly transferred to Capital Account; but the better plan seems to be for the Capital Account only to be modified when additional capital is brought in by the Proprietor, or when definite sums of Capital are withdrawn by him, as distinct from ordinary withdrawals for living expenses. These latter withdrawals are ordinarily charged to the debit of the Proprietor's Current Account, but if very numerous—as is commonly the case if the Proprietor has no private banking account—it is usual to debit them in the first instance to an account headed "Drawings Account," the periodical total of which alone is transferred to the debit of the Current Account. The effect of this is to keep unnecessary detail from the Current Account, which has the double advantage of enabling its effect to be perceived at a glance, and enabling an account extending over a number of years to be kept on one or two pages of the Ledger.

128. It is clear that, if Drawings be debited to Current Account, and the periodical Net Profit be credited, at the date of the Balance Sheet, the Current Account will show a balance which, if a debit balance will represent the excess of withdrawals over net profits earned, and if a credit balance the excess of profits earned over withdrawals, *i.e.* undrawn profits. This balance, like all other outstanding balances, will be included in the periodical Balance Sheet as a liability if a credit balance (representing the liability of the business to its Proprietor in respect of undrawn profits), as an asset if a debit balance (representing a debt due to the business by the Proprietor to compensate for the fact that the benefits he has received from the business by way of withdrawals are in excess of the benefits that the business has received on his account by way of net profits). An alternative plan, where the Current Account shows a debit balance, is to transfer that balance to the Capital Account, thus effecting a reduction of the liability of the business to its Proprietor by way of Capital. It is obvious that where a business is owned by a single proprietor it is largely a matter for him to determine what precise form the accounts shall take.

129. In the case of a partnership, the arrangement between the parties is determined by the law of partnership, subject to any special agreement that may have been come to by the parties.

It is usual for partners to enter into such an agreement at the commencement of the partnership, and the agreement so entered into is called the "Articles of Partnership." In the absence of any agreement to the contrary, however, all partners are entitled to an *equal* share in the profits of the business; or, in the event of the business resulting in a loss, each is liable to contribute to the partnership an equal share of such loss in order to restore the *status quo*. There is no such equality in regard to Capital however. The Capital of each partner is determined by the amount of Capital originally brought in by him; and when profits have been withdrawn (or losses have been made good, as the case may be) that original Capital will always remain intact.

**130.** Upon closing the books of a partnership, each partner's share of the profit should be transferred to the credit of a Current Account opened in his name, which will also be debited with his Drawings. Thus the Current Account of each partner will show the position of affairs between him and the business: if there be a credit balance, there will be undrawn profits due to him by the business; while if there be a debit balance, there will be overdrawn profits due by him to the business. By special agreement between the partners a debit balance on Current Account is sometimes transferred to the Capital Account of the individual partner, thus releasing him from the obligation to repay that amount to the business in cash; but in the absence of such express agreement, a debit balance on Current Account should be left standing until settled by actual payment.

**131.** It is a very common arrangement, where partners contribute Capital in proportions unequal to their respective shares in profits, for them to be entitled to receive "Interest on Capital" at a prescribed rate, usually 5% per annum. Where Interest on Capital is thus allowed, it should be recorded in the books by a Journal entry debiting Profit and Loss Account with the amount of such Interest, and making a corresponding credit to the Current Account of the partner entitled to receive it. The credit should be to the Current Account, and not to the Capital Account, because the partner is entitled to withdraw such interest as it may have been agreed to allow him, and thus the interest affects the balance of the Current Account and not the Capital Account. In the absence of express agreement to the contrary, no interest is

allowed on any balance that may remain outstanding on Current Account; but should there be any express arrangement providing for interest on the Current Account, it will be dealt with in the same way as Interest on Capital.

132. In the case of a Company, the number of partners (or joint proprietors) is so large that it is not usual to provide a separate Capital Account and Current Account in respect of each in the general books, although, of course, it will be necessary for a subsidiary "Share Ledger" to be kept containing a distinct account for each. In the general books of the Company, however, there will be only one Capital Account for all, unless there should be more than one class of shares, in which event there will be a separate Capital Account in respect of each class, which will show the total amount in respect of which the Company is accountable to the holders of each such class. The Net Profit, as ascertained by the periodical Profit and Loss Account, will be transferred to a Current Account, usually described as an "Appropriation Account," or "Net Revenue Account," which will show as a credit balance the amount of undivided profits available for distribution. When from time to time profits are divided by way of dividend, the total amount so distributed will be credited to Cash (or Bank, as the case may be) and debited to the Appropriation or Net Revenue Account, leaving any undistributed profits to be carried forward as a balance thereon. The chief distinctions between a Company and a Partnership are that while, in the latter, the moment the profits or losses can be ascertained they can be allocated among the various partners, in the former event no individual member has any personal right to a share in such profits as may have been earned until a resolution has been passed sanctioning a dividend, whereupon he becomes entitled to his due proportion of the total amount that it has been resolved to distribute. A second distinction is that while the agreement between partners to make good their respective shares of losses by actual contribution in cash is a mere agreement between the partners themselves in respect of which they owe no special duty to outsiders, a Company (if a limited company) cannot under any circumstances compel its members to contribute their respective shares in order to make good a loss on the business, and it is illegal for the Company to make any distribution among its members save out of profits earned, any distribution otherwise made being made at the personal risk of

those responsible for carrying on the business, *i.e.* the Directors. It thus follows that if the Net Revenue Account of a Company shows a debit balance, that balance must have arisen either through the business being carried on at a loss, or through dividends having been improperly paid in excess of profits earned —or perhaps from both causes.

# CHAPTER XV

## THE PETTY CASH ACCOUNT

133. It has already been stated that the modern business practice is, as far as possible, to make the Banker the sole Cashier of the business; but in all cases there are certain to be some small expenses that cannot conveniently be paid by cheque, and thus in every business it is in practice necessary to have a Cashier, and for him to keep a Cash Account. As a rule, however, the transactions passing through his hands are limited to the payment of small expenses out of monies provided to him for that special purpose from time to time. The Cash Account being thus of comparatively trifling proportions, it is commonly designated "Petty Cash." In the case of some businesses remote from banking centres it may be necessary that the Cash Account should assume considerable proportions, but in such cases it is usual to have a distinct account for the small items designated "Petty Cash," with a view to reducing as far as possible the number of entries in the Cash Book proper.

134. The distinctive features of all Petty Cash systems are (1) that the only monies received are obtained by cashing cheques specially drawn for that purpose, monies received by the business in the ordinary course being debited not to Petty Cash, but in the Cash Book itself; (2) no payments are made out of Petty Cash to any one having a personal account in the Ledger, the payments being entirely confined to expenses which in due course will be debited to Nominal Accounts; (3) with the object of saving an unnecessary amount of clerical work in posting items which are by their nature comparatively unimportant, the Petty Cash payments are not posted to the Nominal Accounts in detail, but periodically analysed under suitable headings, when the postings are made in total.

135. A good form of ruling for a Petty Cash Book is given below. It will be observed that in many respects it is similar to the form of Tabular Sales Journal illustrated on p. 51.

*Dr.* **PETTY CASH.** *For the* *ended* 19 . *Cr.*

| Date Received. | C.B. Fo. | Amount Received. | | | Date Paid. | Particulars. | Amount Paid. | | | Analysis of Payments. | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | Trade Expenses. | | | Cash Purchases. | | | Travelling Expenses. | | | Advertising. | | | Stationery. | | |
| | | £ | *s.* | *d.* | | | £ | *s.* | *d.* | £ | *s.* | *d.* | £ | *s.* | *d.* | £ | *s.* | *d.* | £ | *s.* | *d.* | £ | *s.* | *d.* |

136. Occasionally the periodical totals of Petty Cash payments are passed through the Journal, the appropriate Nominal Accounts being debited, and "Petty Cash Account" credited. In that event it is necessary to open a "Petty Cash Account" in the Ledger, which will be credited with the total Petty Cash payments, as per Journal, and debited with the monies from time to time drawn out of the Bank and handed to the Petty Cashier. Each time these totals are posted up the Ledger Petty Cash Account will thus show a debit balance equal to the amount of Petty Cash in hand. An alternative plan is to have no Petty Cash Account in the Ledger, but to treat the Petty Cash Book itself as a Ledger account, in exactly the same way that the Cash Book is usually so treated. In that event, of course, the postings from the credit side of the Bank Account in respect of cheques drawn for petty cash purposes will be to the debit of the Petty Cash Book, and this book is itself treated as a book of account. In the former case, on the other hand, the Petty Cash Book is merely a "memorandum book," which forms no part of the system of double-entry bookkeeping, but provides the basis for the entries made in the books themselves recording the periodical totals of Petty Cash payments. Another method is to dispense with the Journal entry, and to post direct from the Petty Cash Book totals. This variation may be employed whether there is a Petty Cash Account in the Ledger or not.

137. It will be seen that hitherto the methods described have been upon the basis of treating the Petty Cash Account as an Account Current, running on indefinitely. Petty Cash Accounts are frequently so kept in practice, but it has been found that a far more effective control over the Petty Cashier can be established by the adoption of the "Imprest System." The essence of the Imprest System is that the Petty Cashier is in the first instance supplied with a round sum, out of which to make payments for current purposes, for which he is accountable. At definite prescribed intervals, usually once a week, he is required to submit an account to the Chief Cashier showing what payments he has made during the current period. This account is then verified, and a cheque for the exact amount thereof is then drawn and handed over to the Petty Cashier, thus increasing the amount of his balance to the amount of the original advance. This procedure is repeated week after week until the date for balancing the books as a whole arrives, when the Petty Cash Account is

again settled up to date, but on this occasion the Petty Cashier also returns the amount of the original advance, which is paid into the Bank, a cheque for a new advance being drawn on the first day of the next financial period. It will be observed that by this method there is a definite settlement as between Petty Cashier and Chief Cashier once a week, and that by no possibility can the Petty Cash Account be allowed to run on indefinitely without being properly checked, for it is not until it has been checked that it is possible for the Petty Cashier to secure further funds. It will also be observed that under this system no Petty Cash Account need be opened in the Ledger,[1] and that all necessary entries in the Ledger itself can readily be made by entering up in the Cash Book each cheque drawn for Petty Cash purposes in detail (as shown by the analysis of the Petty Cash Book), and by posting from the credit side of the Cash Book to the debit of the various Nominal Accounts affected. By this means all necessity for Journal entries in connection with Petty Cash is obviated, and no postings whatever are made from the Petty Cash Book, which is merely a memorandum book that serves the purpose of providing a day-to-day record of the transactions of the Petty Cashier, and the data for the weekly summary of his payments that is embodied in the Cash Book. The form of Petty Cash Book itself under the Imprest System will be the same as that shown on p. 103, save that the balance brought forward from week to week would invariably be the amount of the original advance, save at the end of the year, when the advance is returned to the Cashier, when there would be no balance.

[1] The original advance can be debited to "General Expenses," or some similar, account, the return of the advance at the end of the financial period being credited to the same account. Of course, however, these two items can be posted to a "Petty Cash Account" if preferred.

# CHAPTER XVI

## SINGLE-ENTRY BOOKKEEPING

138. In the present work it is not necessary to describe at length the imperfect system of bookkeeping that is known as "single-entry." Inasmuch, however, as this system is still somewhat extensively used in small businesses, it is desirable to indicate briefly what it consists of. Properly speaking, Single-Entry bookkeeping may be said to be an incomplete, or partial, application of the system of bookkeeping by double-entry, preferred by some, ostensibly as being simpler, and therefore occupying less time. The actual saving of time is, however, infinitesimal, except that, inasmuch as with Single-Entry bookkeeping it is impossible to prepare a Trial Balance, it is also impossible to ascertain whether or not the bookkeeping is clerically accurate. Thus the time often occupied under the double-entry system in securing an exact agreement of the Trial Balance is saved; but it might, of course, equally have been saved under the double-entry system, if one were content with inaccurate results. Single-Entry bookkeeping fails to disclose errors that interfere with the balancing of the books, but it is hardly to be supposed that such errors will be less frequent on that account. On the contrary, there can be little doubt that, in the absence of any means of detecting errors, the bookkeeping will be more carelessly performed and errors will be more numerous.

139. Single-Entry Bookkeeping being thus an imperfect system, it will readily be understood that different varieties of imperfection are to be found in practice. The least objectionable form is that which entirely omits the Nominal Accounts, and which therefore effectually prevents the preparation of either a Trial Balance or a Profit and Loss Account, but which does keep all those Ledger accounts that go to build up the Balance Sheet. Very commonly, however, it will be found that the Real Accounts

also are missing from the Ledger, which consists merely of Personal Accounts; and that in any attempt that may be made from time to time to ascertain the position of affairs, recourse must be had not merely to the Ledger, but also to outside sources for information as to the existence and value of the various assets other than Book Debts and Cash.

140. It has already been pointed out that a Balance Sheet is a summary of the balances outstanding on a Ledger kept by double-entry, prepared after the Nominal Accounts have been closed off, and thus after the amount of profit (or loss) has been ascertained, and credited (or debited) to the Proprietary, as the case may be. It derives its name from the fact that the total of the items appearing on the right-hand side of the Balance Sheet as "Assets" must always *balance* the total of the items appearing on the left-hand side as "Liabilities." It is clear, therefore, that it is impossible to construct a Balance Sheet from a set of books kept by Single-Entry. It is, however, possible to construct a "Statement of Affairs," which will show upon the one side the existing Assets, and upon the other side the existing Liabilities (including the Capital of the Proprietary): the difference between these two sides, if an excess of assets, represents the debt due by the business to the Proprietary on Current Account at the date thereof; and if an excess of liabilities over assets, the amount due by the Proprietary to the business on Current Account. Assuming that there was a settlement of accounts between the business and the Proprietary at the commencement of the current period, a balance due to the Proprietary on Current Account at the end of the period would be undrawn profits earned during the period; or if no profits had been withdrawn, then such balance would represent the total profits earned during the period, and so on. If the state of accounts at the commencement and at the end of the current period be known, and if the Drawings of the Proprietary and the additional Capital embarked by them in the business (if any) be known, the amount of profit (or loss) during the current period may be calculated, as being the *cause* of the difference between the actual figure at the end of the period and the figure that one would otherwise have expected. Below are given two examples, the first (*a*) showing that the difference between the expected and the actual result is computed as a profit, the second (*b*) where a loss is shown to have taken place—

(*a*)

## STATEMENT OF AFFAIRS, June 30, 1908.

| | *Liabilities.* | £ | s. | d. | | *Assets.* | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| | Capital, 1st April, 1908 | 400 | 0 | 0 | | Stock in Trade | 220 | 5 | 9 |
| | Creditors, as per Ledger | 97 | 9 | 6 | | Debtors, as per Ledger | 163 | 3 | 4 |
| | Balance down, being amount to credit of Proprietary on Current Account | 107 | 13 | 11 | | Cash at Bank | 221 | 14 | 4 |
| | | 605 | 3 | 5 | | | 605 | 3 | 5 |
| | Amount to credit of Current Account on 1st April, 1908 | 13 | 1 | 2 | | Balance brought down | 107 | 13 | 11 |
| | Balance, being net profit from 1st April to 30th June, 1908 | 128 | 2 | 9 | | Amount of drawings during the current period | 33 | 10 | 0 |
| | | 141 | 3 | 11 | | | 141 | 3 | 11 |

(*b*)

## STATEMENT OF AFFAIRS, June 30, 1908.

| | *Liabilities.* | £ | s. | d. | | *Assets.* | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| | Capital, 1st April, 1908 | 400 | 0 | 0 | | Stock in Trade | 220 | 5 | 9 |
| | Creditors, as per Ledger | 97 | 9 | 6 | | Debtors, as per Ledger | 163 | 3 | 4 |
| | Balance down, being amount to credit of Proprietary on Current Account | 107 | 13 | 11 | | Cash at Bank | 221 | 14 | 4 |
| | | 605 | 3 | 5 | | | 605 | 3 | 5 |
| | Amount to credit of Current Account on 1st April, 1908 | 213 | 1 | 2 | | Balance brought down | 107 | 13 | 11 |
| | | | | | | Amount of drawings during the current period | 33 | 10 | 0 |
| | | | | | | Balance, being loss from 1st April to 30th June, 1908 | 71 | 17 | 3 |
| | | 213 | 1 | 2 | | | 213 | 1 | 2 |

141. It will be observed, however, that under this system it is necessary to be particularly careful to guard against clerical errors, as the least mistake in any of the figures would result in a corresponding error in the ultimate estimate as to the profit or loss for the current period. It will be observed, moreover, that even if these figures (which are not capable of being checked by any independent process), could be relied upon as being absolutely accurate, the Single-Entry system would still be defective, as failing to show the causes that have led up to the ultimate result. On the double-entry system the Nominal Accounts, summarised into the Profit and Loss Account, show exactly why, and how, the ultimate result has been brought about; and a careful study of these figures is of the greatest possible value to the practical managers of the business. The Single-Entry system, on the other hand, does not attempt to give reasons for the result, but merely the bare result itself, and its value to the practical business man is thus limited accordingly.

# PART II

## *PRO FORMÂ* EXAMPLE OF THE ACCOUNTS OF A TRADER

THE following example has been fully worked out to show, *pro formâ*, the entries necessary in the books of a trader to record his transactions during a period of three months. This example is appended that the reader may gather a better idea of Double-Entry Accounts than can readily be obtained from the illustration of mere isolated transactions. It should be borne in mind, however, that there are usually several alternative methods of recording any transaction, or class of transactions, and that therefore the methods now illustrated must not be regarded as being by any means the only possible methods, or even necessarily as being better than others. Upon reference to the Cash Book it will be seen that, by the introduction of distinct columns for "Cash Sales" and "Cash Purchases" respectively, it has become possible to post these items to the Ledger in totals instead of in detail, thus saving a considerable amount of clerical labour. It will further be observed that, for convenience of reference, the Ledger has been sub-divided into (1) Cash Book; (2) Sales Ledger; (3) Bought Ledger; (4) General Ledger; and that a summary of the balances of each is necessary to construct the Trial Balance shown on p. 148.

(61) *Dr.* **CASH.** **CONTRA.** *Cr.* (61)

| 1908. | | | Discount. £ | s. | d. | Cash Sales.[1] £ | s. | d. | Cash. £ | s. | d. | Bank. £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| April 1 | To Balance . . . | √ | | | | | | | 2 | 10 | 6 | 20 | 0 | 0 |
| ,, 2 | ,, Cash Sales . . | √ | | | | 4 | 5 | 0 | 4 | 5 | 0 | | | |
| ,, 3 | ,, ,, . . | √ | | | | 3 | 2 | 6 | 3 | 2 | 6 | | | |
| ,, 4 | ,, ,, . . | √ | | | | 2 | 4 | 9 | 2 | 4 | 9 | | | |
| ,, 5 | ,, ,, . . | √ | | | | 5 | 0 | 10 | 5 | 0 | 10 | | | |
| ,, 6 | ,, ,, . . | √ | | | | 4 | 3 | 6 | 4 | 3 | 6 | | | |
| ,, 6 | ,, Cash . . . . | 61c | | | | | | | | | | 25 | 0 | 0 |
| ,, 6 | ,, C. Greaves . . | 10 | | | | | | | 10 | 17 | 6 | | | |
| ,, 7 | ,, Cash Sales . . | √ | | | | 3 | 4 | 6 | 3 | 4 | 6 | | | |
| ,, 9 | ,, ,, . . | √ | | | | 1 | 15 | 0 | 1 | 15 | 0 | | | |
| ,, 10 | ,, James . . . | 5 | | | | | | | 13 | 4 | 6 | | | |
| ,, 10 | ,, Cash Sales . . | √ | | | | 2 | 9 | 2 | 2 | 9 | 2 | | | |
| ,, 11 | ,, ,, . . | √ | | | | 4 | 8 | 5 | 4 | 8 | 5 | | | |
| ,, 12 | ,, ,, . . | √ | | | | 5 | 7 | 2 | 5 | 7 | 2 | | | |
| ,, 13 | ,, ,, . . | √ | | | | 3 | 10 | 1 | 3 | 10 | 1 | | | |
| ,, 13 | ,, Cash . . . | 61c | | | | | | | | | | 40 | 0 | 0 |
| ,, 13 | ,, Tibbetts . . | 1 | | 2 | 6 | | | | 9 | 17 | 6 | | | |
| ,, 14 | ,, Cash Sales . . | √ | | | | 5 | 9 | 0 | 5 | 9 | 0 | | | |
| ,, 16 | ,, ,, . . | √ | | | | 3 | 1 | 8 | 3 | 1 | 8 | | | |
| ,, 17 | ,, ,, . . | √ | | | | 4 | 2 | 9 | 4 | 2 | 9 | | | |
| ,, 17 | ,, Leaville School . | 3 | | | | | | | 12 | 17 | 6 | | | |
| ,, 18 | ,, Cash Sales . . | √ | | | | 2 | 17 | 9 | 2 | 17 | 9 | | | |
| ,, 19 | ,, ,, . . | √ | | | | 5 | 19 | 10 | 5 | 19 | 10 | | | |
| ,, 20 | ,, ,, . . | √ | | | | 2 | 10 | 8 | 2 | 10 | 8 | | | |
| ,, 20 | ,, Avenue Club . | 2 | | | | | | | 17 | 10 | 0 | | | |
| ,, 20 | ,, Cash . . . . | 61c | | | | | | | | | | 50 | 0 | 0 |
| ,, 21 | ,, Cash Sales . . | √ | | | | 4 | 3 | 0 | 4 | 3 | 0 | | | |
| ,, 23 | ,, ,, . . | √ | | | | 1 | 17 | 8 | 1 | 17 | 8 | | | |
| ,, 23 | ,, Matthews . . | 4 | | 2 | 3 | | | | 4 | 7 | 9 | | | |
| ,, 24 | ,, Cash Sales . . | √ | | | | 5 | 1 | 0 | 5 | 1 | 0 | | | |
| ,, 25 | ,, ,, . . | √ | | | | 4 | 19 | 0 | 4 | 19 | 0 | | | |
| | Forward . . | 62 | | 4 | 9 | 79 | 13 | 3 | 150 | 18 | 6 | 135 | 0 | 0 |

| 1908. | | | Discount. £ | s. | d. | Cash Purchases.[1] £ | s. | d. | Cash. £ | s. | d. | Bank. £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| April 2 | By Willow, Wilders, Ltd. . . . | 1 | | 5 | 6 | | | | | | | 5 | 4 | 6 |
| ,, 3 | ,, Trade Exps.[2] . | P6 | | | | | | | | 1 | 0 | | | |
| ,, 4 | ,, ,, . | P6 | | | | | | | | 5 | 6 | | | |
| ,, 5 | ,, Rates (½ year up to 30/9/08) . | P5 | | | | | | | | | | 13 | 10 | 0 |
| ,, 6 | ,, Trade Exps. . | P6 | | | | | | | 1 | 14 | 0 | | | |
| ,, 6 | ,, Bank . . . . | 61c | | | | | | | 25 | 0 | 0 | | | |
| ,, 7 | ,, Wages . . . | P7 | | | | | | | | | | 5 | 10 | 0 |
| ,, 9 | ,, Cycle Stand . . | √ | | | | | 2 | 0 | | 2 | 0 | | | |
| ,, 10 | ,, Shaw, Cleave & Co. . . . | 3 | | 6 | 0 | | | | | | | 5 | 14 | 0 |
| ,, 11 | ,, Glue . . . . | √ | | | | | | 6 | | | 6 | | | |
| ,, 12 | ,, Gas Account . | P6 | | | | | | | | | | 5 | 0 | 0 |
| ,, 13 | ,, Water Rate . . | P5 | | | | | | | 1 | 5 | 0 | | | |
| ,, 13 | ,, Bank . . . . | 61c | | | | | | | 40 | 0 | 0 | | | |
| ,, 14 | ,, Wages . . . | P7 | | | | | | | | | | 5 | 10 | 0 |
| ,, 16 | ,, Trade Exps. . | P6 | | | | | | | | 4 | 0 | | | |
| ,, 17 | ,, Rent (to 25/3/08) | P5 | | | | | | | | | | 25 | 0 | 0 |
| ,, 18 | ,, Drawings . . | P3 | | | | | | | 7 | 0 | 0 | | | |
| ,, 19 | ,, Cammidge & Co. | 2 | | 4 | 9 | | | | | | | 4 | 10 | 3 |
| ,, 20 | ,, Repairs . . . | P6 | | | | | | | | 14 | 0 | | | |
| ,, 20 | ,, Bank . . . . | 61c | | | | | | | 50 | 0 | 0 | | | |
| ,, 21 | ,, Wages . . . | P7 | | | | | | | | | | 5 | 10 | 0 |
| ,, 23 | ,, Old Rubber . . | √ | | | | 1 | 17 | 6 | 1 | 17 | 6 | | | |
| ,, 24 | ,, Sharp & Sons . | 4 | | 3 | 0 | | | | | | | 2 | 17 | 0 |
| ,, 25 | ,, Trade Exps. . | P6 | | | | | | | 2 | 0 | 0 | | | |
| ,, 26 | ,, ,, . | P6 | | | | | | | | 6 | 6 | | | |
| ,, 27 | ,, Drawings . . | P3 | | | | | | | 5 | 0 | 0 | | | |
| ,, 28 | ,, Wages . . . | P7 | | | | | | | | | | 5 | 10 | 0 |
| ,, 30 | ,, Parkhurst . . | 5 | | 3 | 0 | | | | | | | 6 | 2 | 0 |
| ,, 30 | ,, Bank . . . . | 62c | | | | | | | 60 | 0 | 0 | | | |
| | Forward . . | 62 | 1 | 2 | 3 | 2 | 0 | 0 | 195 | 10 | 0 | 89 | 17 | 9 |

[1] Items appearing in these columns are posted in totals at the end of each month.
[2] In order to reduce the number of books, it is assumed that all cash payments are included in the Cash Book, there being no separate Petty Cash Book.

(62) *Dr.* **CASH, Continued.**

| Date | | Particulars | Fo. | Discount £ | s. | d. | Cash Sales £ | s. | d. | Cash £ | s. | d. | Bank £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1908. | | Forward | 61 | | 4 | 9 | 79 | 13 | 3 | 150 | 18 | 6 | 135 | 0 | 0 |
| April | 25 | To Major Green | 6 | | 11 | 0 | | | | 21 | 9 | 0 | | | |
| ,, | 26 | ,, Cash Sales | √ | | | | 3 | 17 | 6 | 3 | 17 | 6 | | | |
| ,, | 27 | ,, ,, | √ | | | | 2 | 15 | 1 | 2 | 15 | 1 | | | |
| ,, | 27 | ,, Blankshire Regt. | 7 | | 7 | 2 | | | | 14 | 0 | 10 | | | |
| ,, | 28 | ,, Cash Sales | √ | | | | 3 | 0 | 9 | 3 | 0 | 9 | | | |
| ,, | 30 | ,, ,, | √ | | | | 2 | 14 | 7 | 2 | 14 | 7 | | | |
| ,, | 30 | ,, Cash | c61 | | | | | | | | | | 60 | 0 | 0 |
| | | | | 1 | 2 | 11 | 92 | 1 | 2 | 198 | 16 | 3 | 195 | 0 | 0 |
| | | | | | 12 | | | 10 | | | | | | | |
| May | 1 | To Balance | c62 | | | | | | | 3 | 6 | 3 | 105 | 2 | 3 |
| ,, | 1 | ,, Cash Sales | √ | | | | 5 | 8 | 6 | 5 | 8 | 6 | | | |
| ,, | 2 | ,, ,, | √ | | | | 4 | 3 | 0 | 4 | 3 | 0 | | | |
| ,, | 3 | ,, ,, | √ | | | | 1 | 10 | 4 | 1 | 10 | 4 | | | |
| ,, | 3 | ,, Tibbetts | 1 | | 6 | 9 | | | | 13 | 10 | 10 | | | |
| ,, | 4 | ,, Cash Sales | √ | | | | 2 | 15 | 9 | 2 | 15 | 9 | | | |
| ,, | 5 | ,, ,, | √ | | | | 3 | 7 | 6 | 3 | 7 | 6 | | | |
| ,, | 7 | ,, ,, | √ | | | | 2 | 17 | 6 | 2 | 17 | 6 | | | |
| ,, | 8 | ,, ,, | √ | | | | 6 | 16 | 2 | 6 | 16 | 2 | | | |
| ,, | 8 | ,, James | 5 | | | | | | | 10 | 2 | 6 | | | |
| ,, | 8 | ,, Cash | c62 | | | | | | | | | | 40 | 0 | 0 |
| ,, | 9 | ,, Cash Sales | √ | | | | 5 | 4 | 2 | 5 | 4 | 2 | | | |
| ,, | 10 | ,, ,, | √ | | | | 1 | 17 | 6 | 1 | 17 | 6 | | | |
| ,, | 11 | ,, ,, | √ | | | | 2 | 5 | 9 | 2 | 5 | 9 | | | |
| ,, | 12 | ,, ,, | √ | | | | 4 | 3 | 0 | 4 | 3 | 0 | | | |
| ,, | 12 | ,, Leaville School | 3 | | | | | | | 24 | 4 | 6 | | | |
| ,, | 14 | ,, Cash Sales | √ | | | | 3 | 9 | 10 | 3 | 9 | 10 | | | |
| ,, | 15 | ,, ,, | √ | | | | 2 | 19 | 0 | 2 | 19 | 0 | | | |
| ,, | 16 | ,, ,, | √ | | | | 6 | 11 | 8 | 6 | 11 | 8 | | | |
| | | Forward | 63 | | 6 | 9 | 53 | 9 | 8 | 104 | 13 | 9 | 145 | 2 | 3 |

**CONTRA, Continued.** *Cr.* (62)

| Date | | Particulars | Fo. | Discount £ | s. | d. | Cash Purchases £ | s. | d. | Cash £ | s. | d. | Bank £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1908. | | Forward | 61 | 1 | 2 | 3 | 2 | 0 | 0 | 195 | 10 | 0 | 89 | 17 | 9 |
| April | 30 | By Balance | c62 | | | | | | | 3 | 6 | 3 | 105 | 2 | 3 |
| | | | | 1 | 2 | 3 | 2 | 0 | 0 | 198 | 16 | 3 | 195 | 0 | 0 |
| | | | | | 12 | | | 11 | | | | | | | |
| May | 1 | By Trade Exps. | P6 | | | | | | | | 6 | 0 | | | |
| ,, | 2 | ,, ,, | P6 | | | | | | | | 14 | 0 | | | |
| ,, | 3 | ,, Cammidge & Co. | 2 | | 4 | 0 | | | | | | | 3 | 18 | 0 |
| ,, | 4 | ,, Repairs | P6 | | | | | | | | 9 | 6 | | | |
| ,, | 5 | ,, Wages | P7 | | | | | | | | | | 5 | 10 | 0 |
| ,, | 7 | ,, Trade Exps. | P6 | | | | | | | | 15 | 0 | | | |
| ,, | 8 | ,, Willow, Wilders, Ltd. | 1 | 1 | 4 | 9 | | | | | | | 23 | 10 | 3 |
| ,, | 8 | ,, Bank | c62 | | | | | | | 40 | 0 | 0 | | | |
| ,, | 9 | ,, Advertising | P8 | | | | | | | | | | 4 | 15 | 0 |
| ,, | 10 | ,, North End Clothiers | 8 | | | | | | | | | | 5 | 2 | 0 |
| ,, | 11 | ,, Trade Exps. | P6 | | | | | | | | 4 | 6 | | | |
| ,, | 12 | ,, Wages | P7 | | | | | | | | | | 5 | 10 | 0 |
| ,, | 14 | ,, Trade Exps. | P6 | | | | | | | | 7 | 6 | | | |
| ,, | 15 | ,, Melville, Bros. | 9 | | 4 | 9 | | | | | | | 4 | 11 | 3 |
| ,, | 16 | ,, Secondhand Cycle | √ | | | | 3 | 0 | 0 | 3 | 0 | 0 | | | |
| | | Forward | 63 | 1 | 13 | 6 | 3 | 0 | 0 | 45 | 16 | 6 | 52 | 16 | 6 |

(63) *Dr.* **CASH, Continued.**

| | | | | Dis-count. | | | Cash Sales. | | | Cash. | | | Bank. | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | £ | s. | d. | £ | s. | d. | £ | s. | d. | £ | s. | d. |
| 1908. | | Forward | 62 | | 6 | 9 | 53 | 9 | 8 | 104 | 13 | 9 | 145 | 2 | 3 |
| May | 16 | To Avenue Club | 2 | | 11 | 9 | | | | 23 | 2 | 9 | | | |
| ,, | 16 | ,, Cash | c63 | | | | | | | | | | 55 | 0 | 0 |
| ,, | 17 | ,, Cash Sales | ✓ | | | | 2 | 10 | 9 | 2 | 10 | 9 | | | |
| ,, | 18 | ,, ,, | ✓ | | | | 5 | 8 | 0 | 5 | 8 | 0 | | | |
| ,, | 19 | ,, ,, | ✓ | | | | 1 | 14 | 6 | 1 | 14 | 6 | | | |
| ,, | 19 | ,, Hopkins | 12 | | | | | | | 15 | 15 | 0 | | | |
| ,, | 21 | ,, Cash Sales | ✓ | | | | 3 | 17 | 9 | 3 | 17 | 9 | | | |
| ,, | 22 | ,, ,, | ✓ | | | | 4 | 10 | 5 | 4 | 10 | 5 | | | |
| ,, | 22 | ,, Major Green | 6 | | | | | | | 4 | 10 | 0 | | | |
| ,, | 23 | ,, Cash Sales | ✓ | | | | 2 | 15 | 4 | 2 | 15 | 4 | | | |
| ,, | 24 | ,, ,, | ✓ | | | | 1 | 19 | 0 | 1 | 19 | 0 | | | |
| ,, | 25 | ,, ,, | ✓ | | | | 3 | 18 | 6 | 3 | 18 | 6 | | | |
| ,, | 25 | ,, Martin | 8 | | | | | | | 12 | 17 | 9 | | | |
| ,, | 26 | ,, Cash | c63 | | | | | | | | | | 75 | 0 | 0 |
| ,, | 26 | ,, Cash Sales | ✓ | | | | 2 | 5 | 0 | 2 | 5 | 0 | | | |
| ,, | 28 | ,, ,, | ✓ | | | | 4 | 19 | 0 | 4 | 19 | 0 | | | |
| ,, | 28 | ,, Matthews | 4 | | | | | | | 3 | 14 | 6 | | | |
| ,, | 29 | ,, Cash Sales | ✓ | | | | 2 | 14 | 3 | 2 | 14 | 3 | | | |
| ,, | 30 | ,, ,, | ✓ | | | | 4 | 17 | 6 | 4 | 17 | 6 | | | |
| ,, | 30 | ,, Higgins | 13 | | | | | | | 32 | 14 | 6 | | | |
| ,, | 31 | ,, Cash Sales | ✓ | | | | 2 | 19 | 0 | 2 | 19 | 0 | | | |
| ,, | 31 | ,, Cash | c63 | | | | | | | | | | 50 | 0 | 0 |
| | | | | | 18 | 6 | 97 | 18 | 8 | 241 | 17 | 3 | 325 | 2 | 3 |
| | | | | | 12 | | | 10 | | | | | | | |
| June | 1 | To Balance | c63 | | | | | | | 8 | 13 | 0 | 185 | 17 | 3 |
| ,, | 1 | ,, Cash Sales | ✓ | | | | 3 | 3 | 1 | 3 | 3 | 1 | | | |
| ,, | 2 | ,, ,, | ✓ | | | | 4 | 9 | 5 | 4 | 9 | 5 | | | |
| ,, | 4 | ,, ,, | ✓ | | | | 2 | 11 | 1 | 2 | 11 | 1 | | | |
| ,, | 4 | ,, James | 5 | | | | | | | 3 | 5 | 0 | | | |
| | | Forward | 64 | | | | 10 | 3 | 7 | 22 | 1 | 7 | 185 | 17 | 3 |

**CONTRA, Continued.** *Cr.* (63)

| | | | | Dis-count. | | | Cash Pur-chases. | | | Cash. | | | Bank. | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | £ | s. | d. | £ | s. | d. | £ | s. | d. | £ | s. | d. |
| 1908. | | Forward | 62 | 1 | 13 | 6 | 3 | 0 | 0 | 45 | 16 | 6 | 52 | 16 | 6 |
| May | 16 | By Bank | c63 | | | | | | | 55 | 0 | 0 | | | |
| ,, | 17 | ,, Sparkler Motor Co. | 7 | | | | | | | | | | 20 | 0 | 0 |
| ,, | 18 | ,, Trade Exps. | P6 | | | | | | | | 5 | 0 | | | |
| ,, | 19 | ,, Wages | P7 | | | | | | | | | | 5 | 10 | 0 |
| ,, | 21 | ,, Drawings | P3 | | | | | | | 5 | 0 | 0 | | | |
| ,, | 22 | ,, Shaw, Cleave & Co. | 3 | | 17 | 9 | | | | | | | 15 | 18 | 3 |
| ,, | 23 | ,, Trade Exps. | P6 | | | | | | | | 2 | 9 | | | |
| ,, | 24 | ,, Sharp & Sons | 4 | | 4 | 9 | | | | | | | 4 | 10 | 3 |
| ,, | 25 | ,, Parkhurst | 5 | | 2 | 6 | | | | | | | 4 | 17 | 6 |
| ,, | 26 | ,, Wages | P7 | | | | | | | | | | 5 | 10 | 0 |
| ,, | 26 | ,, Bank | c63 | | | | | | | 75 | 0 | 0 | | | |
| ,, | 28 | ,, Trade Exps. | P6 | | | | | | | 2 | 0 | 0 | | | |
| ,, | 29 | ,, Enfield Cycle Co. | 6 | | | | | | | | | | 25 | 0 | 0 |
| ,, | 30 | ,, Sunlight Varnish Co. | 10 | | 5 | 6 | | | | | | | 5 | 2 | 6 |
| ,, | 31 | ,, Bank | c63 | | | | | | | 50 | 0 | 0 | | | |
| ,, | 31 | ,, Balance | c63 | | | | | | | 8 | 13 | 0 | 185 | 17 | 3 |
| | | | | 3 | 4 | 0 | 3 | 0 | 0 | 241 | 17 | 3 | 325 | 2 | 3 |
| | | | | | 12 | | | 11 | | | | | | | |
| June | 1 | By Trade Exps. | P6 | | | | | | | 2 | 10 | 0 | | | |
| ,, | 2 | ,, Wages | P7 | | | | | | | | | | 5 | 10 | 0 |
| ,, | 5 | ,, Trade Exps. | P6 | | | | | | | | 11 | 0 | | | |
| ,, | 6 | ,, Drawings | P3 | | | | | | | 10 | 0 | 0 | | | |
| ,, | 7 | ,, North End Clothiers | 8 | 1 | 8 | 9 | | | | | | | 27 | 7 | 3 |
| | | Forward | 64 | 1 | 8 | 9 | | | | 13 | 1 | 0 | 32 | 17 | 3 |

Dr. **CASH, Continued.** | **CONTRA, Continued.** Cr. (64)

| Date | | Particulars | Fo. | Discount £ | s. | d. | Cash Sales £ | s. | d. | Cash £ | s. | d. | Bank £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1908. | | Forward | 63 | | | | 10 | 3 | 7 | 22 | 1 | 7 | 185 | 17 | 3 |
| June | 5 | To Cash Sales | ✓ | | | | 5 | 2 | 6 | 5 | 2 | 6 | | | |
| ,, | 6 | ,, ,, | ✓ | | | | 3 | 4 | 0 | 3 | 4 | 0 | | | |
| ,, | 7 | ,, ,, | ✓ | | | | 3 | 17 | 6 | 3 | 17 | 6 | | | |
| ,, | 8 | ,, Tibbetts | 1 | | 8 | 9 | | | | 17 | 3 | 0 | | | |
| ,, | 8 | ,, Cash Sales | ✓ | | | | 4 | 2 | 5 | 4 | 2 | 5 | | | |
| ,, | 9 | ,, ,, | ✓ | | | | 3 | 17 | 11 | 3 | 17 | 11 | | | |
| ,, | 9 | ,, Cash | c64 | | | | | | | | | | 40 | 0 | 0 |
| ,, | 11 | ,, Cash Sales | ✓ | | | | 1 | 19 | 2 | 1 | 19 | 2 | | | |
| ,, | 11 | ,, Blankshire Regt. | 7 | | 19 | 9 | | | | 18 | 15 | 3 | | | |
| ,, | 12 | ,, Cash Sales | ✓ | | | | 4 | 2 | 7 | 4 | 2 | 7 | | | |
| ,, | 13 | ,, ,, | ✓ | | | | 1 | 14 | 8 | 1 | 14 | 8 | | | |
| ,, | 13 | ,, Avenue Club | 2 | | 2 | 9 | | | | 22 | 12 | 6 | | | |
| ,, | 14 | ,, Cash Sales | ✓ | | | | 6 | 0 | 7 | 6 | 0 | 7 | | | |
| ,, | 15 | ,, ,, | ✓ | | | | 2 | 9 | 0 | 2 | 9 | 0 | | | |
| ,, | 16 | ,, ,, | ✓ | | | | 3 | 13 | 2 | 3 | 13 | 2 | | | |
| ,, | 16 | ,, Cash | c64 | | | | | | | | | | 55 | 0 | 0 |
| ,, | 16 | ,, Matthews | 4 | | | | | | | 6 | 10 | 0 | | | |
| ,, | 18 | ,, Cash Sales | ✓ | | | | 2 | 14 | 8 | 2 | 14 | 8 | | | |
| ,, | 19 | ,, ,, | ✓ | | | | 5 | 0 | 6 | 5 | 0 | 6 | | | |
| ,, | 19 | ,, Higgins | 13 | | | | | | | | 17 | 6 | | | |
| ,, | 20 | ,, Cash Sales | ✓ | | | | 2 | 6 | 6 | 2 | 6 | 6 | | | |
| ,, | 21 | ,, ,, | ✓ | | | | 3 | 7 | 9 | 3 | 7 | 9 | | | |
| ,, | 22 | ,, ,, | ✓ | | | | 2 | 4 | 10 | 2 | 4 | 10 | | | |
| ,, | 22 | ,, Leaville School | 3 | | | | | | | 9 | 10 | 0 | | | |
| ,, | 23 | ,, Cash | c64 | | | | | | | | | | 40 | 0 | 0 |
| ,, | 23 | ,, Cash Sales | ✓ | | | | 6 | 0 | 6 | 6 | 0 | 6 | | | |
| ,, | 25 | ,, ,, | ✓ | | | | 2 | 19 | 8 | 2 | 19 | 8 | | | |
| ,, | 26 | ,, ,, | ✓ | | | | 3 | 5 | 4 | 3 | 5 | 4 | | | |
| ,, | 26 | ,, Major Green | 6 | 1 | 6 | 5 | | | | 51 | 11 | 1 | | | |
| ,, | 27 | ,, Cash Sales | ✓ | | | | 4 | 6 | 7 | 4 | 6 | 7 | | | |
| ,, | 28 | ,, ,, | ✓ | | | | 2 | 14 | 11 | 2 | 14 | 11 | | | |
| ,, | 29 | ,, ,, | ✓ | | | | 3 | 7 | 0 | 3 | 7 | 0 | | | |
| ,, | 30 | ,, ,, | ✓ | | | | 5 | 1 | 8 | 5 | 1 | 8 | | | |
| ,, | 30 | ,, Peters | 11 | | | | | | | 12 | 5 | 6 | | | |
| ,, | 30 | ,, Cash | c64 | | | | | | | | | | 80 | 0 | 0 |
| | | | | 2 | 17 | 8 | 93 | 17 | 0 | 244 | 19 | 10 | 400 | 17 | 3 |
| | | | | | 12 | | | 10 | | | | | | | |
| July | 1 | To Balance | 64 | | | | | | | 7 | 13 | 7 | 214 | 0 | 9 |

| Date | | Particulars | Fo. | Discount £ | s. | d. | Cash Purchases £ | s. | d. | Cash £ | s. | d. | Bank £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1908. | | Forward | 63 | 1 | 8 | 9 | | | | 13 | 1 | 0 | 32 | 17 | 3 |
| June | 8 | By Repairs | P9 | | | | | | | | 4 | 6 | | | |
| ,, | 9 | ,, Wages | P7 | | | | | | | | | | 5 | 10 | 0 |
| ,, | 9 | ,, Bank | c64 | | | | | | | 40 | 0 | 0 | | | |
| ,, | 11 | ,, Trade Exps. | P9 | | | | | | | | 4 | 6 | | | |
| ,, | 12 | ,, Fire Ins. (to 24/6/09) | P5 | | | | | | | | | | 4 | 0 | 0 |
| ,, | 13 | ,, Trade Exps. | P9 | | | | | | | 1 | 0 | 0 | | | |
| ,, | 14 | ,, Willow, Wilders, Ltd. | 1 | | 7 | 3 | | | | | | | 5 | 18 | 9 |
| ,, | 15 | ,, Sparkler Motor Co. | 7 | 4 | 0 | 0 | | | | | | | 60 | 0 | 0 |
| ,, | 16 | ,, Wages | P7 | | | | | | | | | | 5 | 10 | 0 |
| ,, | 16 | ,, Bank | c64 | | | | | | | 55 | 0 | 0 | | | |
| ,, | 18 | ,, Trade Exps. | P9 | | | | | | | | 4 | 9 | | | |
| ,, | 19 | ,, Sunlight Varnish Co. | 10 | | | | | | | | 18 | 0 | | | |
| ,, | 20 | ,, Melville, Bros. | 9 | | 7 | 6 | | | | | | | 7 | 2 | 6 |
| ,, | 21 | ,, Martin & Sons | 12 | | | | | | | | | | 7 | 19 | 6 |
| ,, | 22 | ,, Enfield Cycle Co. | 6 | 1 | 10 | 0 | | | | | | | 20 | 0 | 0 |
| ,, | 23 | ,, Wages | P7 | | | | | | | | | | 5 | 10 | 0 |
| ,, | 23 | ,, Bank | c64 | | | | | | | 40 | 0 | 0 | | | |
| ,, | 25 | ,, Parkhurst & Co. | 5 | | 2 | 9 | | | | | | | 5 | 6 | 3 |
| ,, | 26 | ,, Trade Exps. | P9 | | | | | | | | 3 | 6 | | | |
| ,, | 27 | ,, Page Fittings Co. | 11 | | 7 | 3 | | | | | | | 6 | 17 | 9 |
| ,, | 28 | ,, Sharp & Sons | 4 | | 15 | 6 | | | | | | | 14 | 14 | 6 |
| ,, | 29 | ,, Drawings | P3 | | | | | | | 6 | 10 | 0 | | | |
| ,, | 30 | ,, Wages | P7 | | | | | | | | | | 5 | 10 | 0 |
| ,, | 30 | ,, Bank | c64 | | | | | | | 80 | 0 | 0 | | | |
| ,, | 30 | ,, Balance | 64 | | | | | | | 7 | 13 | 7 | 214 | 0 | 9 |
| | | | | 8 | 19 | 0 | | | | 244 | 19 | 10 | 400 | 17 | 3 |
| | | | | | 12 | | | 0 | | | | | | | |

(38)

## SALES DAY BOOK

| 1906. | | | | £ | s. | d. | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| April | 2 | Henry Tibbets,<br>1 doz. "Match" cricket balls at 50s.<br>Less 5 per cent. . . . . . . . | 1 | 2<br><br> | 10<br>2 | 0<br>6 | 2 | 7 | 6 |
| " | 3 | The Avenue Cricket Club,<br>1 doz. A.A. cricket bats at 15s. each | 2 | | | | 9 | 0 | 0 |
| " | 5 | Charles Greaves,<br>1 Enfield bicycle with accessories . | 10 | | | | 10 | 17 | 6 |
| " | 7 | The Avenue Cricket Club,<br>1 grass roller . . . . . . . . . . | 2 | | | | 7 | 10 | 0 |
| " | 9 | Henry Tibbets,<br>5 doz. tennis balls at 9s. 6d. per doz.<br>Less 5 per cent. . . . . . . . . | 1 | 2<br><br> | 7<br>2 | 6<br>4 | 2 | 5 | 2 |
| " | 10 | The Avenue Cricket Club,<br>Rules printed to order . . . . . | 2 | | | | | 15 | 6 |
| " | 12 | Leaville Grammar School,<br>2 doz. cricket balls at 30s. per doz. . | 3 | | | | 3 | 0 | 0 |
| " | 13 | Avenue Cricket Club,<br>6 pairs pads at 9s. . . . . . . . . | 2 | | | | 2 | 14 | 0 |
| " | 16 | Henry Tibbets,<br>1 doz. rackets at 9s. each . . . .<br>Less 5 per cent. . . . . . . . . | 1 | 5<br><br> | 8<br>5 | 0<br>4 | 5 | 2 | 8 |
| " | 17 | Leaville Grammar School,<br>1½ doz. A.B. cricket bats at 90s. per doz. . . . . . . . . . . . | 3 | | | | 6 | 15 | 0 |
| " | 19 | James Matthews,<br>1 golf club (special) . . . . . . | 4 | | | | 1 | 12 | 6 |
| " | 20 | The Avenue Cricket Club,<br>2 doz. match cricket balls at 41s. 6d. per doz. . . . . . . . . . | 2 | | | | 4 | 3 | 0 |
| " | 21 | John James,<br>1 set bowls . . . . . . . . . . | 5 | | | | 4 | 17 | 6 |
| " | 23 | Leaville Grammar School,<br>4 doz. caps to order . . . . . . | 3 | | | | 2 | 8 | 0 |
| " | 24 | Henry Tibbets,<br>2 doz. A2 cricket balls at 48s. per doz.<br>Less 5 per cent. . . . . . . . . | 1 | 4<br><br> | 16<br>4 | 0<br>9 | 4 | 11 | 3 |
| " | 25 | James Matthews,<br>1 golf club case to order . . . . | 4 | | | | 2 | 2 | 0 |
| " | 26 | John James,<br>2 garden seats . . . . . . . . . | 5 | | | | 3 | 10 | 0 |
| | | Carried forward . . . . | 39 | | | | 73 | 11 | 7 |

## SALES DAY BOOK.

(39)

| | | | £ | s. | d. | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|
| 1908. | Brought forward . . . | 38 | | | | 73 | 11 | 7 |
| April 27 | Major Green, | | | | | | | |
| | Set golf clubs to order . . . . . | 6 | | | | 4 | 10 | 0 |
| „ 28 | Avenue Cricket Club, | | | | | | | |
| | 4 scoring books . . . . . . . . . | 2 | | | | | 10 | 0 |
| „ 29 | Leaville Grammar School, | | | | | | | |
| | 23 pairs boots to order at 10*s*. 6*d*. per pair . . . . . . . . . . | 3 | | | | 12 | 1 | 6 |
| „ 30 | John James, | | | | | | | |
| | Length garden hose . . . . . . . | 5 | | | | 1 | 15 | 0 |
| May 1 | Major Green, | | | | | | | |
| | 2 doz. golf balls at 15*s*. . . . . . . | 6 | | | | 1 | 10 | 0 |
| „ 2 | Henry Tibbets, | | | | | | | |
| | 1 doz. match cricket balls at 50*s*. . | | 2 | 10 | 0 | | | |
| | Less 5 per cent. . . . . . . . . . | 1 | | 2 | 6 | | | |
| | | | | | | 2 | 7 | 6 |
| „ 3 | James Matthews, | | | | | | | |
| | Repairs to cycle . . . . . . . . . | 4 | | | | | 7 | 6 |
| „ 4 | Major Green, | | | | | | | |
| | 1 motor bicycle (Quadrant) with accessories . . . . . . . . . | 6 | | | | 43 | 17 | 6 |
| „ 5 | Leaville Grammar School, | | | | | | | |
| | 6 scoring books . . . . . . . . . | 3 | | | | | 15 | 0 |
| „ 7 | Avenue Cricket Club, | | | | | | | |
| | 20 rolls of admission tickets to order | 2 | | | | 1 | 13 | 0 |
| „ 8 | John James, | | | | | | | |
| | Repairs to roller . . . . . . . . | 5 | | | | | 10 | 3 |
| „ 9 | Henry Tibbets, | | | | | | | |
| | 3 doz. tennis balls at 10*s*. 6*d*. per doz. | | 1 | 11 | 6 | | | |
| | Less 5 per cent. . . . . . . . . | 1 | | | 10 | | | |
| | | | | | | 1 | 10 | 8 |
| „ 10 | Major Green, | | | | | | | |
| | 1 pair goggles . . . . . . . . . | | | 2 | 6 | | | |
| | 1 pair leather glasses . . . . . . | | | 6 | 6 | | | |
| | Repairs to hooter . . . . . . . . | 6 | | 2 | 0 | | | |
| | | | | | | | 11 | 0 |
| „ 11 | Frank Hopkins, | | | | | | | |
| | 1 Enfield cycle with accessories (high grade) . . . . . . . . | 12 | | | | 15 | 4 | 6 |
| „ 12 | Leaville Grammar School, | | | | | | | |
| | Odd sets fives gloves . . . . . . | 3 | | | | 2 | 10 | 0 |
| „ 12 | James Matthews, | | | | | | | |
| | 1 Sandow Exerciser . . . . . . | 4 | | | | | 12 | 6 |
| „ 14 | Major Green, | | | | | | | |
| | 2 punching ball outfits . . . . . . | 6 | | | | 4 | 4 | 0 |
| | Carried forward . . . . | 40 | | | | 168 | 1 | 6 |

(40)

## SALES DAY BOOK.

| | | | | Folio | £ | s. | d. | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|
| 1908. | | Brought forward . . . | | 39 | | | | 168 | 1 | 6 |
| May | 15 | Leaville Grammar School, 4 sets tarred netting . . . . . . . | | 3 | | | | 3 | 15 | 0 |
| „ | 16 | F. Hopkins, 1 acetyline lamp . . . . . . . . . | | 12 | | | | | 10 | 6 |
| „ | 17 | John James, 2 tins weed killer . . . . . . . . . | | 5 | | | | | 4 | 6 |
| „ | 18 | Avenue Cricket Club, 4 ground benches to order, as per estimate . . . . . . . . . | | 2 | | | | 6 | 0 | 0 |
| „ | 19 | William Higgins, 1 motor bicycle (Ajax) with accessories . . . . . . . . . | | 13 | | | | 32 | 14 | 6 |
| „ | 21 | James Matthews, 1 garden roller . . . . . . . . . | | 4 | | | | 5 | 10 | 0 |
| „ | 21 | Major Green, Repairs to motor cycle . . . . . . | | 6 | | | | 2 | 15 | 0 |
| „ | 22 | Leaville Grammar School, 2 doz. cricket balls at 30*s.* per doz. . . | | 3 | | | | 3 | 0 | 0 |
| „ | 23 | Miss Emily Martin, 1 lady's Enfield bicycle with accessories . . . . . . . . . | | 8 | | | | 12 | 17 | 9 |
| „ | 24 | Avenue Cricket Club, Repairs to pavilion as per estimate . | | 2 | | | | 14 | 3 | 6 |
| „ | 25 | Henry Tibbets, 1 gross scoring books at 34*s.* per doz. | | | 14 | 8 | 0 | | | |
| | | Less 5 per cent . . . . . . . . | | 1 | | 14 | 5 | 13 | 13 | 7 |
| „ | 27 | John James, Set garden tools . . . . . . . . . | | 5 | | | | 2 | 12 | 6 |
| „ | 27 | Avenue Cricket Club, Repairs to pads, &c. . . . . . . . . | | 2 | | | | | 18 | 9 |
| „ | 28 | Leaville Grammar School, 2 scoring books . . . . . . . . . . | | 3 | | | | | 5 | 0 |
| „ | 29 | The 65th Blankshire Regiment, 2 doz. cricket balls at 62*s.* 6*d.* per doz. | | 7 | | | | 6 | 5 | 0 |
| „ | 30 | The 65th Blankshire Regiment, 1 doz. best match bats at 22*s.* 6*d.* each . . . . . . . . . . . . | | 7 | | | | 13 | 10 | 0 |
| June | 1 | Major Green, 1 lady's bicycle with accessories . . | | 6 | | | | 14 | 17 | 6 |
| „ | 2 | James Matthews, Special set garden tools . . . . . | | 4 | | | | 4 | 15 | 0 |
| „ | 4 | Samuel Peters, Wire netting to order . . . . . . | | 11 | | | | 3 | 10 | 0 |
| | | Carried forward . . . . | | 41 | | | | 309 | 19 | 7 |

## SALES DAY BOOK. (41)

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | £ | s. | d. | £ | s. | d. |
| 1908. | Brought forward . . . | 40 | | | | 309 | 19 | 7 |
| June 4 | Major Green, | | | | | | | |
| | 1 kitchen stove . . . . . . . . . | 6 | | | | 12 | 10 | 0 |
| " 5 | Leaville Grammar School, | | | | | | | |
| | Repairs to roller . . . . . . . . | 3 | | | | 1 | 2 | 6 |
| " 6 | Avenue Cricket Club, | | | | | | | |
| | 1 special sprinkler . . . . . . . | 2 | | | | 1 | 5 | 0 |
| " 7 | Henry Tibbets, | | | | | | | |
| | 3 doz. tennis balls at 10*s.* 6*d.* per doz. | | 1 | 11 | 6 | | | |
| | Less 5 per cent. . . . . . . . | 1 | | | 10 | | | |
| | | | | | | 1 | 10 | 8 |
| " 8 | William Higgins, | | | | | | | |
| | Repairs to bicycle . . . . . . . . | 13 | | | | | 17 | 6 |
| " 9 | The 65th Blankshire Regiment, | | | | | | | |
| | Tarred netting to order . . . . . | 7 | | | | 4 | 9 | 6 |
| " 11 | John James, | | | | | | | |
| | 1 croquet set . . . . . . . . . | 5 | | | | 7 | 10 | 0 |
| " 11 | Avenue Cricket Club, | | | | | | | |
| | 2 scoring books . . . . . . . . . | 2 | | | | | 5 | 0 |
| " 12 | The 65th Blankshire Regiment, | | | | | | | |
| | 12 scoring books . . . . . . . . | 7 | | | | 1 | 10 | 0 |
| " 13 | Leaville Grammar School, | | | | | | | |
| | 4 special bats at 18*s.* 6*d.* each . . | 3 | | | | 3 | 14 | 0 |
| " 14 | Samuel Peters, | | | | | | | |
| | Garden roller . . . . . . . . . . | 11 | | | | 4 | 5 | 6 |
| " 15 | The 65th Blankshire Regiment, | | | | | | | |
| | 2 doz. hockey sticks at 92*s.* 6*d.* per doz. | 7 | | | | 9 | 5 | 0 |
| " 16 | Henry Tibbets, | | | | | | | |
| | 1 doz. special bats at 18*s.* 6*d.* each . | | 11 | 2 | 0 | | | |
| | Less 5 per cent. . . . . . . . | 1 | | 11 | 1 | | | |
| | | | | | | 10 | 10 | 11 |
| " 18 | Avenue Cricket Club, | | | | | | | |
| | 4 pairs gloves . . . . . . . . . | 2 | | | | 1 | 0 | 0 |
| " 18 | The 65th Blankshire Regiment, | | | | | | | |
| | 1 doz. A.A. bats at 22*s.* each . . . | 7 | | | | 13 | 4 | 0 |
| " 19 | Henry Tibbets, | | | | | | | |
| | 1 roll wire netting . . . . . . . | 1 | | | | 3 | 10 | 0 |
| " 20 | Major Green, | | | | | | | |
| | Wire netting to order . . . . . . | 6 | | | | 2 | 10 | 0 |
| " 21 | S. Peters, | | | | | | | |
| | 1 fowl run to order . . . . . . . | 11 | | | | 4 | 10 | 0 |
| " 22 | Leaville Grammar School, | | | | | | | |
| | 33 badges to order . . . . . . . . | 3 | | | | 1 | 13 | 0 |
| " 23 | John James, | | | | | | | |
| | 1 lady's match racket . . . . . . | 5 | | | | 1 | 5 | 6 |
| | Carried forward . . . . | 42 | | | | 396 | 7 | 8 |

(42) **SALES DAY BOOK.**

| | | | £ | s. | d. | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|
| 1908. | Brought forward . . . | 41 | | | | 396 | 7 | 8 |
| June 25 | James Matthews, Repairs to roller . . . . . . . . | 4 | | | | | 14 | 0 |
| „ 25 | The 65th Blankshire Regiment, 4 sets bowls . . . . . . . . . . . | 7 | | | | 20 | 0 | 0 |
| „ 26 | Major Green, 3 hockey sticks . . . . . . . . . . | 6 | | | | 1 | 11 | 6 |
| „ 27 | Charles Greaves, 1 croquet set . . . . . . . . . . | 10 | | | | 5 | 0 | 0 |
| „ 28 | The 65th Blankshire Regiment, 50 badges to order . . . . . . . | 7 | | | | 2 | 10 | 0 |
| „ 29 | Frank Payton, 1 motor cycle with accessories . . | 9 | | | | 32 | 10 | 0 |
| „ 30 | Henry Tibbets, 1 doz. hockey sticks assorted at 95*s*. | | 4 | 15 | 0 | | | |
| | Less 5 per cent. . . . . . . . | 1 | | 4 | 9 | | | |
| | | | | | | 4 | 10 | 3 |
| | | P10 | | | | 463 | 3 | 5 |

(16) **SALES RETURNS BOOK.**

| | | | £ | s. | d. |
|---|---|---|---|---|---|
| 1908. | | | | | |
| April 18 | H. Tibbets, 1 dozen tennis balls at 9*s*. 6*d*., less 5 per cent. . | 1 | | 9 | 0 |
| „ 28 | Avenue Cricket Club, 2 pairs pads at 9*s*. . . . . . . . . . . . . | 2 | | 18 | 0 |
| May 19 | J. James, 1 tin weed killer . . . . . . . . . . . . . . | 16 | | 2 | 3 |
| „ 31 | Leaville Grammar School, ½ dozen cricket balls at 30*s*. per dozen . . . | 3 | | 15 | 0 |
| | | P11 | 2 | 4 | 3 |

## SALES LEDGER.

| | | £ | s. | d. |
|---|---|---|---|---|
| | *Balances, 1st April, 1908.* | | | |
| 1 | Tibbetts | 10 | 0 | 0 |
| 2 | Avenue Cricket Club | 17 | 10 | 0 |
| 3 | Leaville Grammar School | 12 | 17 | 6 |
| 4 | Matthews | 4 | 10 | 0 |
| 5 | James | 13 | 4 | 6 |
| 6 | Major Green | 22 | 0 | 0 |
| 7 | 65th Blankshire Regiment | 14 | 8 | 0 |
| | | 94 | 10 | 0 |
| | *Balances, 30th June, 1908.* | | | |
| 1 | Tibbetts | 20 | 1 | 10 |
| 2 | Avenue Cricket Club | 2 | 10 | 0 |
| 3 | Leaville Grammar School | 6 | 9 | 6 |
| 4 | Matthews | 5 | 9 | 0 |
| 5 | James | 8 | 15 | 6 |
| 6 | Major Green | 31 | 9 | 0 |
| 7 | 65th Blankshire Regiment | 50 | 18 | 6 |
| 9 | Payton | 32 | 10 | 0 |
| 10 | Greaves | 5 | 0 | 0 |
| | | 163 | 3 | 4 |

*Dr.* **H. TIBBETTS.** *Cr.* (1)

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1908. | | | £ | *s.* | *d.* | 1908. | | | £ | *s.* | *d.* |
| April 1 | To Balance . | ✓ | 10 | 0 | 0 | April 13 | By Cash . . | 61 | 9 | 17 | 6 |
| | | | | | | ,, 13 | ,, Discount . | ,, | | 2 | 6 |
| | | | 10 | 0 | 0 | | | | 10 | 0 | 0 |
| April 2 | To Goods . . | 38 | 2 | 7 | 6 | April 18 | By Returns . | 16 | | 9 | 0 |
| ,, 9 | ,, ,, . . | ,, | 2 | 5 | 2 | May 3 | ,, Cash . . | 62 | 13 | 10 | 10 |
| ,, 16 | ,, ,, . . | ,, | 5 | 2 | 8 | ,, 3 | ,, Discount . | ,, | | 6 | 9 |
| ,, 24 | ,, ,, . . | ,, | 4 | 11 | 3 | | | | | | |
| | | | 14 | 6 | 7 | | | | 14 | 6 | 7 |
| May 2 | To Goods . . | 39 | 2 | 7 | 6 | June 8 | By Cash . . | 64 | 17 | 3 | 0 |
| ,, 9 | ,, ,, . . | ,, | 1 | 10 | 8 | ,, 8 | ,, Discount . | ,, | | 8 | 9 |
| ,, 25 | ,, ,, . . | 40 | 13 | 13 | 7 | | | | | | |
| | | | 17 | 11 | 9 | | | | 17 | 11 | 9 |
| June 7 | To Goods . . | 41 | 1 | 10 | 8 | June 30 | By Balance carried down | ✓ | 20 | 1 | 10 |
| ,, 16 | ,, ,, . . | ,, | 10 | 10 | 11 | | | | | | |
| ,, 19 | ,, ,, . . | ,, | 3 | 10 | 0 | | | | | | |
| ,, 30 | ,, ,, . . | 42 | 4 | 10 | 3 | | | | | | |
| | | | 20 | 1 | 10 | | | | 20 | 1 | 10 |
| July 1 | To Balance . | ✓ | 20 | 1 | 10 | | | | | | |

(2) *Dr.* **THE AVENUE CRICKET CLUB.** *Cr.*

| | | | £ | s. | d. | | | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1908. | | | | | | 1908. | | | | | |
| April 1 | To Balance . | ✓ | 17 | 10 | 0 | April 20 | By Cash . . | 61 | 17 | 10 | 0 |
| April 3 | To Goods . . | 38 | 9 | 0 | 0 | April 28 | By Returns . | 16 | | 18 | 0 |
| " 7 | " " . . | " | 7 | 10 | 0 | May 16 | " Cash . . | 63 | 23 | 2 | 9 |
| " 10 | " " . . | " | | 15 | 6 | " 16 | " Discount . | " | | 11 | 9 |
| " 13 | " " . . | " | 2 | 14 | 0 | | | | | | |
| " 20 | " " . . | " | 4 | 3 | 0 | | | | | | |
| " 28 | " " . . | 39 | | 10 | 0 | | | | | | |
| | | | 24 | 12 | 6 | | | | 24 | 12 | 6 |
| May 7 | To Goods . . | 39 | 1 | 13 | 0 | June 13 | By Cash . . | 64 | 22 | 12 | 6 |
| " 18 | " " . . | 40 | 6 | 0 | 0 | " 13 | " Discount . | " | | 2 | 9 |
| " 24 | " " . . | " | 14 | 3 | 6 | | | | | | |
| " 28 | " " . . | " | | 18 | 9 | | | | | | |
| | | | 22 | 15 | 3 | | | | 22 | 15 | 3 |
| June 6 | To Goods . . | 41 | 1 | 5 | 0 | June 30 | By Balance . | ✓ | 2 | 10 | 0 |
| " 11 | " " . . | " | | 5 | 0 | | | | | | |
| " 18 | " " . . | " | 1 | 0 | 0 | | | | | | |
| | | | 2 | 10 | 0 | | | | 2 | 10 | 0 |
| July 1 | To Balance . | ✓ | 2 | 10 | 0 | | | | | | |

*Dr.* **THE LEAVILLE GRAMMAR SCHOOL.** *Cr.* (3)

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1908. | | | £ | s. | d. | 1908. | | | £ | s. | d. |
| April 1 | To Balance . | ✓ | 12 | 17 | 6 | April 17 | By Cash . | 61 | 12 | 17 | 6 |
| April 12 | To Goods . | 38 | 3 | 0 | 0 | May 12 | By Cash . | 62 | 24 | 4 | 6 |
| „ 17 | „ „ . | „ | 6 | 15 | 0 | | | | | | |
| „ 23 | „ „ . | „ | 2 | 8 | 0 | | | | | | |
| „ 28 | „ „ . | 39 | 12 | 1 | 6 | | | | | | |
| | | | 24 | 4 | 6 | | | | 24 | 4 | 6 |
| May 5 | To Goods . | 39 | | 15 | 0 | May 31 | By Returns . | 16 | | 15 | 0 |
| „ 12 | „ „ . | „ | 2 | 10 | 0 | June 22 | „ Cash . | 64 | 9 | 10 | 0 |
| „ 15 | „ „ . | 40 | 3 | 15 | 0 | | | | | | |
| „ 22 | „ „ . | „ | 3 | 0 | 0 | | | | | | |
| „ 28 | „ „ . | „ | | 5 | 0 | | | | | | |
| | | | 10 | 5 | 0 | | | | 10 | 5 | 0 |
| June 5 | To Goods . | 41 | 1 | 2 | 6 | June 30 | By Balance . | ✓ | 6 | 9 | 6 |
| „ 13 | „ „ . | „ | 3 | 14 | 0 | | | | | | |
| „ 22 | „ „ . | „ | 1 | 13 | 0 | | | | | | |
| | | | 6 | 9 | 6 | | | | 6 | 9 | 6 |
| July 1 | To Balance . | ✓ | 6 | 9 | 6 | | | | | | |

(4) *Dr.* **J. MATTHEWS.** *Cr.*

| | | | £ | s. | d. | | | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1908. April 1 | To Balance . | ✓ | 4 | 10 | 0 | 1908. April 23 | By Cash . . | 61 | 4 | 7 | 9 |
| | | | | | | " 23 | " Discount . | " | | 2 | 3 |
| | | | 4 | 10 | 0 | | | | 4 | 10 | 0 |
| April 19 | To Goods . . | 38 | 1 | 12 | 6 | May 28 | By Cash . . | 63 | 3 | 14 | 6 |
| " 25 | " " . . | " | 2 | 2 | 0 | | | | | | |
| | | | 3 | 14 | 6 | | | | 3 | 14 | 6 |
| May 3 | To Goods . . | 39 | | 7 | 6 | June 16 | By Cash . . | 64 | 6 | 10 | 0 |
| " 12 | " " . . | " | | 12 | 6 | | | | | | |
| " 21 | " " . . | 40 | 5 | 10 | 0 | | | | | | |
| | | | 6 | 10 | 0 | | | | 6 | 10 | 0 |
| June 2 | To Goods . . | 40 | 4 | 15 | 0 | June 30 | By Balance . | ✓ | 5 | 9 | 0 |
| " 25 | " " . . | 42 | | 14 | 0 | | | | | | |
| | | | 5 | 9 | 0 | | | | 5 | 9 | 0 |
| July 1 | To Balance . | ✓ | 5 | 9 | 0 | | | | | | |

*Dr.* **J. JAMES.** *Cr.* (5)

| 1908. | | | £ | s. | d. | 1908. | | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| April 1 | To Balance . | ✓ | 13 | 4 | 6 | April 10 | By Cash . . | 61 | 13 | 4 | 6 |
| April 21 | To Goods. . | 38 | 4 | 17 | 6 | May 9 | By Cash . . | 62 | 10 | 2 | 6 |
| „ 26 | „ „ . . | 39 | 3 | 10 | 0 | | | | | | |
| „ 30 | „ „ . . | „ | 1 | 15 | 0 | | | | | | |
| | | | 10 | 2 | 6 | | | | 10 | 2 | 6 |
| May 8 | To Goods. . | 39 | | 10 | 3 | May 19 | By Returns . | 16 | | 2 | 3 |
| „ 17 | „ „ . . | 40 | | 4 | 6 | June 4 | „ Cash . . | 63 | 3 | 5 | 0 |
| „ 27 | „ „ . . | „ | 2 | 12 | 6 | | | | | | |
| | | | 3 | 7 | 3 | | | | 3 | 7 | 3 |
| June 11 | To Goods. . | 41 | 7 | 10 | 0 | June 30 | By Balance . | ✓ | 8 | 15 | 6 |
| „ 23 | „ „ . . | „ | 1 | 5 | 6 | | | | | | |
| | | | 8 | 15 | 6 | | | | 8 | 15 | 6 |
| July 1 | To Balance . | ✓ | 8 | 15 | 6 | | | | | | |

(6) *Dr.* **MAJOR GREEN.** *Cr.*

| | | | £ | s. | d. | | | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1908. | | | | | | 1908. | | | | | |
| April 1 | To Balance . | ✓ | 22 | 0 | 0 | April 25 | By Cash . . | 62 | 21 | 9 | 0 |
| | | | | | | „ 25 | „ Discount . | „ | | 11 | 0 |
| | | | 22 | 0 | 0 | | | | 22 | 0 | 0 |
| April 27 | To Goods . . | 39 | 4 | 10 | 0 | May 22 | By Cash . . | 63 | 4 | 10 | 0 |
| May 1 | To Goods . . | 39 | 1 | 10 | 0 | June 26 | By Cash . . | 64 | 51 | 11 | 1 |
| „ 4 | „ „ . . | „ | 43 | 17 | 6 | „ 26 | „ Discount . | „ | 1 | 6 | 5 |
| „ 10 | „ „ . . | „ | | 11 | 0 | | | | | | |
| „ 14 | „ „ . . | „ | 4 | 4 | 0 | | | | | | |
| „ 21 | „ „ . . | 40 | 2 | 15 | 0 | | | | | | |
| | | | 52 | 17 | 6 | | | | 52 | 17 | 6 |
| June 1 | To Goods . . | 40 | 14 | 17 | 6 | June 30 | By Balance . | ✓ | 31 | 9 | 0 |
| „ 4 | „ „ . . | 41 | 12 | 10 | 0 | | | | | | |
| „ 20 | „ „ . . | „ | 2 | 10 | 0 | | | | | | |
| „ 26 | „ „ . . | 42 | 1 | 11 | 6 | | | | | | |
| | | | 31 | 9 | 0 | | | | 31 | 9 | 0 |
| July 1 | To Balance . | ✓ | 31 | 9 | 0 | | | | | | |

**Dr.** **THE 65TH BLANKSHIRE REGIMENT.** **Cr.** (7)

| | | | £ | s. | d. | | | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1908. | | | | | | 1908. | | | | | |
| April 1 | To Balance . | ✓ | 14 | 8 | 0 | April 27 | By Cash . . | 62 | 14 | 0 | 10 |
| | | | | | | „ 27 | „ Discount. | „ | | 7 | 2 |
| | | | 14 | 8 | 0 | | | | 14 | 8 | 0 |
| May 29 | To Goods. . | 40 | 6 | 5 | 0 | June 11 | By Cash . . | 64 | 18 | 15 | 3 |
| „ 30 | „ „ . . | „ | 13 | 10 | 0 | „ 11 | „ Discount. | „ | | 19 | 9 |
| | | | 19 | 15 | 0 | | | | 19 | 15 | 0 |
| June 9 | To Goods. . | 41 | 4 | 9 | 6 | June 30 | By Balance . | ✓ | 50 | 18 | 6 |
| „ 12 | „ „ . . | „ | 1 | 10 | 0 | | | | | | |
| „ 15 | „ „ . . | „ | 9 | 5 | 0 | | | | | | |
| „ 18 | „ „ . . | „ | 13 | 4 | 0 | | | | | | |
| „ 25 | „ „ . . | 42 | 20 | 0 | 0 | | | | | | |
| „ 28 | „ „ . . | „ | 2 | 10 | 0 | | | | | | |
| | | | 50 | 18 | 6 | | | | 50 | 18 | 6 |
| July 1 | To Balance . | ✓ | 50 | 18 | 6 | | | | | | |

(8) **Dr.** **MISS MARTIN.** **Cr.**

| | | | £ | s. | d. | | | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1908. | | | | | | 1908. | | | | | |
| May 28 | To Goods. . | 40 | 12 | 17 | 9 | May 25 | By Cash . | 63 | 12 | 17 | 9 |

*Dr.* **F. PAYTON.** *Cr.* (9)

| | | | £ | s. | d. | | | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1908. | | | | | | 1908. | | | | | |
| June 29 | To Goods . . | 42 | 32 | 10 | 0 | June 30 | By Balance . | ✓ | 32 | 10 | 0 |
| July 1 | To Balance . | ✓ | 32 | 10 | 0 | | | | | | |

(10) *Dr.* **C. GREAVES.** *Cr.*

| | | | £ | s. | d. | | | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1908. | | | | | | 1908. | | | | | |
| April 5 | To Goods . . | 38 | 10 | 17 | 6 | April 6 | By Cash . . | 61 | 10 | 17 | 6 |
| June 27 | To Goods . . | 42 | 5 | 0 | 0 | June 30 | By Balance . | ✓ | 5 | 0 | 0 |
| July 1 | To Balance . | ✓ | 5 | 0 | 0 | | | | | | |

*Dr.* **S. PETERS.** *Cr.* (11)

| | | | £ | s. | d. | | | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1908. | | | | | | 1908. | | | | | |
| June 4 | To Goods . . | 40 | 8 | 10 | 0 | June 30 | By Cash . . | 64 | 12 | 5 | 6 |
| " 14 | " " . . | 41 | 4 | 5 | 6 | | | | | | |
| " 21 | " " . . | " | 4 | 10 | 0 | | | | | | |
| | | | 12 | 5 | 6 | | | | 12 | 5 | 6 |

(12) *Dr.* **F. HOPKINS.** *Cr.*

| | | | £ | s. | d. | | | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1908. | | | | | | 1908. | | | | | |
| May 11 | To Goods . . | 39 | 15 | 4 | 6 | May 19 | By Cash . . | 63 | 15 | 15 | 0 |
| „ 16 | „ „ . . | 40 | | 10 | 6 | | | | | | |
| | | | 15 | 15 | 0 | | | | 15 | 15 | 0 |

*Dr.* **W. HIGGINS.** *Cr.* (13)

| | | | £ | s. | d. | | | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1908. | | | | | | 1908. | | | | | |
| May 19 | To Goods . . | 40 | 32 | 14 | 6 | May 30 | By Cash . . | 63 | 32 | 14 | 6 |
| June 8 | To Goods . . | 41 | | 17 | 6 | June 19 | By Cash . . | 64 | | 17 | 6 |

## BOUGHT BOOK. (21)

| 1908. | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | £ | s. | d. | £ | s. | d. |
| April 2 | Willow Welders, Ltd., 1 gross match balls at 45*s*. per doz. . | 1 | | | | 27 | 0 | 0 |
| „ 5 | Shaw, Cleave & Co., 3 doz. pairs pads at 7*s*. 6*d*. per pair . | 3 | | | | 13 | 10 | 0 |
| „ 6 | Melville, Bros., 1 gross tennis balls at 8*s*. per doz. . | 9 | | | | 4 | 16 | 0 |
| „ 9 | Cammidge & Co., 100 copies club rules, as per copy supplied . . . . . . . . . | 2 | | | | | 12 | 0 |
| „ 10 | Sharp & Sons, ½ doz. garden seats, assorted . . . | 4 | | | | 5 | 10 | 0 |
| „ 13 | Engfield Cycle Co., Ltd., ½ doz. cycles assorted grades . . . | | 60 | 0 | 0 | | | |
| | Less 25 per cent. . . . . . . . | | 15 | 0 | 0 | | | |
| | | 6 | | | | 45 | 0 | 0 |
| „ 16 | Sparklet Motor Cycle Co., Ltd., 3 motor cycles £120 . . . . . . . | | 120 | 0 | 0 | | | |
| | Less 30 per cent. . . . . . . . | | 36 | 0 | 0 | | | |
| | | 7 | | | | 84 | 0 | 0 |
| „ 17 | North End Clothiers, Ltd., 1 gross caps at 8*s*. 6*d*. per doz. . . | 8 | | | | 5 | 2 | 0 |
| „ 20 | Parkhurst & Sons, 1 grass roller . . . . . . . . . | 5 | | | | 5 | 0 | 0 |
| „ 23 | The Sunlight Varnish Co., Ltd., ½ gross tins weed killer at 18*s*. doz. . | 10 | | | | 5 | 8 | 0 |
| „ 24 | Shaw, Cleave & Co., 1 doz. rackets at 5*s*. 6*d*. each . . . | 3 | | | | 3 | 6 | 0 |
| „ 25 | Cammidge & Co., 2 special golf club cases . . . . . . | 2 | | | | 3 | 10 | 0 |
| „ 28 | Engfield Cycle Co., Ltd., 6 cycle stands . . . . . . . . . | 6 | | | | 1 | 10 | 0 |
| „ 30 | North End Clothiers, Ltd., ½ gross boots assorted sizes at 8*s*. . | 8 | | | | 28 | 16 | 0 |
| May 1 | The Sunlight Varnish Co., Ltd., 12 lbs. white lead at 3*d*. per lb. . . | 10 | | | | | 3 | 0 |
| „ 4 | Willow Welders, Ltd., 1 doz. A.A. bats at 10*s*. 6*d*. each . . | 1 | | | | 6 | 6 | 0 |
| „ 8 | Melville, Bros., 1 doz. golf clubs, assorted . . . . | 9 | | | | 7 | 10 | 0 |
| „ 9 | Sharp & Sons, 3 rolls tarred netting . . . . . . | 4 | | | | 8 | 0 | 0 |
| „ 14 | The Page Fittings, Ltd. New show case for window . . . . | 11 | | | | 5 | 10 | 0 |
| „ 18 | Parkhurst & Sons, 300 feet garden hose at 4*d*. per foot . | 5 | | | | 5 | 0 | 0 |
| | **Carried forward . . . .** | **22** | | | | **265** | **9** | **0** |

(22) **BOUGHT BOOK, Continued.**

| | | | | £ | s. | d. | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| 1908. | | Brought forward . . . | 21 | | | | 265 | 9 | 0 |
| May | 21 | The Sunlight Varnish Co., Ltd., 12 tins varnish at 1*s*. 6*d*. per tin . . | 10 | | | | | 18 | 0 |
| " | 26 | The Page Fittings, Ltd., Repairs to counter . . . . . . . | 11 | | | | 1 | 15 | 0 |
| " | 28 | Engfield Cycle Co., Ltd., ½ gross repairs outfits at 1*s*. each . . | 6 | | | | 3 | 12 | 0 |
| " | 30 | Parkhurst & Sons, ½ doz. pairs motor goggles at 1*s*. 6*d*. per pair . . . . . . . . . | 5 | | | | | 9 | 0 |
| " | 31 | Sharp & Sons, 3 rolls wire netting . . . . . . | 4 | | | | 7 | 10 | 0 |
| June | 1 | North End Clothiers, Ltd., Badges to order . . . . . . . . | 8 | | | | 3 | 3 | 0 |
| " | 2 | Cammidge & Co., ½ gross scoring books at 1*s*. 6*d*. each . | 2 | | | | 5 | 8 | 0 |
| " | 4 | Shaw, Cleave & Co., 1 doz. pairs batting gloves, at 3*s*. 9*d*. per pair . . . . . . . . . | 3 | | | | 2 | 5 | 0 |
| " | 6 | Melville Bros., ½ doz. sets bowls (assorted) at £48 per doz. sets . . . . . . . | 9 | | | | 24 | 0 | 0 |
| " | 7 | Willow Welders, Ltd., ½ doz. Sandow exercisers at 8*s*. each | 1 | | | | 2 | 8 | 0 |
| " | 8 | The Page Fittings, Ltd., 1 set each hangings for window casings | 11 | | | | | 17 | 6 |
| " | 11 | Willow Welders, Ltd., 1 doz. best match bats at 16*s*. 6*d*. each | 1 | | | | 9 | 18 | 0 |
| " | 14 | Martin Bros., Odd baulks timber as per specifications | 11 | | | | 8 | 19 | 6 |
| " | 15 | Sharp & Sons, 10 gross screws at 1½*d*. per doz., . . | 4 | | | | | 15 | 0 |
| " | 18 | North End Clothiers, Ltd., ½ doz. special caps at 1*s*. 2*d*. each . | 8 | | | | | 7 | 0 |
| " | 21 | Melville, Bros., 1 gross golf balls at 10*s*. 6*d*. per doz. | 9 | | | | 6 | 6 | 0 |
| " | 22 | The Sunlight Varnish Co., Ltd., Painters' sundries . . . . . . . | 10 | | | | 2 | 15 | 6 |
| " | 25 | Shaw, Cleave & Co., 1 doz. hockey clubs, assorted . . . | 3 | | | | 5 | 0 | 0 |
| " | 28 | Cammidge & Co., 20 rolls tickets to order . . . . . | 2 | | | | 1 | 7 | 6 |
| " | 30 | Parkhurst & Sons, ½ doz. sets garden tools at £2 2*s*. per set . . . . . . . . . . | 5 | | | | 12 | 12 | 0 |
| | | | P11 | | | | 365 | 15 | 0 |

(12) PURCHASE RETURNS BOOK.

| | | | £ | s. | d. |
|---|---|---|---|---|---|
| 1908. | | | | | |
| April 16 | Willow Welders, Ltd., | | | | |
| | 1 doz. match balls at 45*s*. | 1 | 2 | 5 | 0 |
| „ 26 | Sharp & Sons, | | | | |
| | 1 garden seat | 4 | | 15 | 0 |
| May 28 | Sunlight Varnish Co., | | | | |
| | 2 tins of varnish at 1*s*. 6*d*. | 10 | | 3 | 0 |
| June 30 | Martin Bros., | | | | |
| | Timber unsuitable | 12 | 1 | 0 | 0 |
| | | P11 | 4 | 3 | 0 |

BOUGHT LEDGER.

| | | £ | s. | d. |
|---|---|---|---|---|
| | *Balances*, 1*st April*, 1908. | | | |
| 1 | Willow Welders, Ltd. | 5 | 10 | 0 |
| 2 | Cammidge & Co. | 4 | 15 | 0 |
| 3 | Shaw, Cleave & Co. | 6 | 0 | 0 |
| 4 | Sharp & Sons | 3 | 0 | 0 |
| 5 | Parkhurst | 6 | 5 | 0 |
| | | 25 | 10 | 0 |
| | *Balances*, 30*th June*, 1908. | | | |
| 1 | Willow Welders, Ltd. | 12 | 6 | 0 |
| 2 | Cammidge & Co. | 6 | 15 | 6 |
| 3 | Shaw, Cleave & Co. | 7 | 5 | 0 |
| 4 | Sharp & Sons | | 15 | 0 |
| 5 | Parkhurst | 12 | 12 | 0 |
| 6 | Enfield Cycle Co. | 3 | 12 | 0 |
| 8 | North End Clothiers | 3 | 10 | 0 |
| 9 | Melville Bros. | 30 | 6 | 0 |
| 10 | Sunlight Varnish Co. | 2 | 15 | 6 |
| 11 | The Page Fittings Co. | | 17 | 6 |
| | | 80 | 14 | 6 |

*Dr.* WILLOW WELDERS, LTD. *Cr.* (1)

| | | | £ | s. | d. | | | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1908. | | | | | | 1908. | | | | | |
| April 2 | To Cash . . | 61 | 5 | 4 | 6 | April 1 | By Balance . | ✓ | 5 | 10 | 0 |
| „ 2 | „ Discount . | „ | | 5 | 6 | | | | | | |
| | | | 5 | 10 | 0 | | | | 5 | 10 | 0 |
| April 6 | To Returns . | 12 | 2 | 5 | 0 | April 2 | By Goods . | 21 | 27 | 0 | 0 |
| May 8 | „ Cash . . | 62 | 23 | 10 | 3 | | | | | | |
| „ 8 | „ Discount . | „ | 1 | 4 | 9 | | | | | | |
| | | | 27 | 0 | 0 | | | | 27 | 0 | 0 |
| June 14 | To Cash . . | 64 | 5 | 18 | 9 | May 4 | By Goods . | 21 | 6 | 6 | 0 |
| „ 14 | „ Discount . | „ | | 7 | 3 | | | | | | |
| | | | 6 | 6 | 0 | | | | 6 | 6 | 0 |
| June 30 | To Balance . | ✓ | 12 | 6 | 0 | June 7 | By Goods . | 22 | 2 | 8 | 0 |
| | | | | | | „ 11 | „ „ . | „ | 9 | 18 | 0 |
| | | | 12 | 6 | 0 | | | | 12 | 6 | 0 |
| | | | | | | July 1 | By Balance . | ✓ | 12 | 6 | 0 |

*Dr.* CAMMIDGE & CO. *Cr.* (2)

| | | | £ | s. | d. | | | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1908. | | | | | | 1908. | | | | | |
| April 19 | To Cash . . | 61 | 4 | 10 | 3 | April 1 | By Balance . | ✓ | 4 | 15 | 0 |
| „ 19 | „ Discount . | „ | | 4 | 9 | | | | | | |
| | | | 4 | 15 | 0 | | | | 4 | 15 | 0 |
| May 3 | To Cash . . | 62 | 3 | 18 | 0 | April 9 | By Goods . | 21 | | 12 | 0 |
| „ 3 | „ Discount . | „ | | 4 | 0 | „ 25 | „ „ . | „ | 3 | 10 | 0 |
| | | | 4 | 2 | 0 | | | | 4 | 2 | 0 |
| June 30 | To Balance . | ✓ | 6 | 15 | 6 | June 2 | By Goods . | 22 | 5 | 8 | 0 |
| | | | | | | „ 28 | „ „ . | „ | 1 | 7 | 6 |
| | | | 6 | 15 | 6 | | | | 6 | 15 | 6 |
| | | | | | | July 1 | By Balance . | ✓ | 6 | 15 | 6 |

*Dr.* **SHAW, CLEAVE & CO.** *Cr.* (3)

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1908. | | | £ | s. | d. | 1908. | | | £ | s. | d. |
| April 10 | To Cash . . | 61 | 5 | 14 | 0 | April 1 | By Balance . | ✓ | 6 | 0 | 0 |
| " 10 | " Discount . | " | | 6 | 0 | | | | | | |
| | | | 6 | 0 | 0 | | | | 6 | 6 | 0 |
| May 22 | To Cash . . | 63 | 15 | 18 | 3 | April 5 | By Goods . | 21 | 13 | 10 | 0 |
| " 22 | " Discount . | " | | 17 | 9 | " 24 | " " . | " | 3 | 6 | 0 |
| | | | 16 | 16 | 0 | | | | 16 | 16 | 0 |
| June 30 | To Balance . | ✓ | 7 | 5 | 0 | June 4 | By Goods . | 22 | 2 | 5 | 0 |
| | | | | | | " 25 | " " . | " | 5 | 0 | 0 |
| | | | 7 | 5 | 0 | | | | 7 | 5 | 0 |
| | | | | | | July 1 | By Balance . | ✓ | 7 | 5 | 0 |

*Dr.* **SHARP & SONS.** *Cr.* (4)

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1908. | | | £ | s. | d. | 1908. | | | £ | s. | d. |
| April 24 | To Cash . . | 61 | 2 | 17 | 0 | April 1 | By Balance . | ✓ | 3 | 0 | 0 |
| " 24 | " Discount . | " | | 3 | 0 | | | | | | |
| | | | 3 | 0 | 0 | | | | 3 | 0 | 0 |
| April 26 | To Returns . | 12 | | 15 | 0 | April 10 | By Goods . | 21 | 5 | 10 | 0 |
| May 24 | " Cash . . | 63 | 4 | 10 | 3 | | | | | | |
| " 24 | " Discount . | " | | 4 | 9 | | | | | | |
| | | | 5 | 10 | 0 | | | | 5 | 10 | 0 |
| June 28 | To Cash . . | 64 | 14 | 14 | 6 | May 9 | By Goods . | 21 | 8 | 0 | 0 |
| " 28 | " Discount . | " | | 15 | 6 | " 31 | " " . | 22 | 7 | 10 | 0 |
| | | | 15 | 10 | 0 | | | | 15 | 10 | 0 |
| June 30 | To Balance . | ✓ | | 15 | 0 | June 15 | By Goods . | 22 | | 15 | 0 |
| | | | | | | July 1 | By Balance . | ✓ | | 15 | 0 |

**Dr.** PARKHURST & SONS. **Cr.** (5)

| 1908. | | | £ | s. | d. | 1908. | | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| April 30 | To Cash . . | 61 | 6 | 2 | 0 | April 1 | By Balance . | ✓ | 6 | 5 | 0 |
| „ 30 | „ Discount . | „ | | 3 | 0 | | | | | | |
| | | | 6 | 5 | 0 | | | | 6 | 5 | 0 |
| May 25 | To Cash . . | 63 | 4 | 17 | 6 | April 20 | By Goods . | 21 | 5 | 0 | 0 |
| „ 25 | „ Discount . | „ | | 2 | 6 | | | | | | |
| | | | 5 | 0 | 0 | | | | 5 | 0 | 0 |
| June 25 | To Cash . . | 64 | 5 | 6 | 3 | May 18 | By Goods . | 21 | 5 | 0 | 0 |
| „ 25 | „ Discount . | „ | | 2 | 9 | „ 30 | „ „ . | 22 | | 9 | 0 |
| | | | 5 | 9 | 0 | | | | 5 | 9 | 0 |
| June 30 | To Balance . | ✓ | 12 | 12 | 0 | June 30 | By Goods . | 22 | 12 | 12 | 0 |
| | | | | | | July 1 | By Balance . | ✓ | 12 | 12 | 0 |

**Dr.** THE ENFIELD CYCLE CO., LTD. **Cr.** (6)

| 1908. | | | £ | s. | d. | 1908. | | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| May 29 | To Cash . . | 63 | 25 | 0 | 0 | April 13 | By Goods . . | 21 | 45 | 0 | 0 |
| June 22 | „ „ . . | 64 | 20 | 0 | 0 | „ 28 | „ „ . . | „ | 1 | 10 | 0 |
| „ 22 | „ Discount . | „ | 1 | 10 | 0 | May 28 | „ „ . . | 22 | 3 | 12 | 0 |
| „ 30 | „ Balance . | ✓ | 3 | 12 | 0 | | | | | | |
| | | | 50 | 2 | 0 | | | | 50 | 2 | 0 |
| | | | | | | July 1 | By Balance . | ✓ | 3 | 12 | 0 |

**Dr.** THE SPARKLET MOTOR CO., LTD. **Cr.** (7)

| 1908. | | | £ | s. | d. | 1908. | | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| May 17 | To Cash . . | 63 | 20 | 0 | 0 | April 16 | By Goods . . | 21 | 84 | 0 | 0 |
| June 15 | „ „ . . | 64 | 60 | 0 | 0 | | | | | | |
| „ 15 | „ Discount . | „ | 4 | 0 | 0 | | | | | | |
| | | | 84 | 0 | 0 | | | | 84 | 0 | 0 |

**Dr.** THE NORTH END CLOTHIERS, LTD. **Cr.** (8)

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1908. | | | £ | s. | d. | 1908. | | | £ | s. | d. |
| May 10 | To Cash . . | 62 | 5 | 2 | 0 | April 17 | By Goods . | 21 | 5 | 2 | 0 |
| June 7 | „ „ . . | 63 | 27 | 7 | 3 | „ 30 | „ „ . | „ | 28 | 16 | 0 |
| „ 7 | „ Discount . | „ | 1 | 8 | 9 | | | | | | |
| | | | 33 | 18 | 0 | | | | 33 | 18 | 0 |
| June 30 | To Balance . | ✓ | 3 | 10 | 0 | June 1 | By Goods . | 22 | 3 | 3 | 0 |
| | | | | | | „ 18 | „ „ . | „ | | 7 | 0 |
| | | | 3 | 10 | 0 | | | | 3 | 10 | 0 |
| | | | | | | July 1 | By Balance . | ✓ | 3 | 10 | 0 |

**Dr.** MELVILLE BROTHERS. **Cr.** (9)

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1908. | | | £ | s. | d. | 1908. | | | £ | s. | d. |
| May 15 | To Cash . | 62 | 4 | 11 | 3 | April 6 | By Goods . | 21 | 4 | 16 | 0 |
| „ 15 | „ Account . | „ | | 4 | 9 | | | | | | |
| | | | 4 | 16 | 0 | | | | 4 | 16 | 0 |
| June 20 | To Cash . | 64 | 7 | 2 | 6 | May 8 | By Goods . | 21 | 7 | 10 | 0 |
| „ 20 | „ Discount . | „ | | 7 | 6 | | | | | | |
| | | | 7 | 10 | 0 | | | | 7 | 10 | 0 |
| June 30 | To Balance . | ✓ | 30 | 6 | 0 | June 6 | By Goods . | 22 | 24 | 0 | 0 |
| | | | | | | „ 21 | „ „ | „ | 6 | 6 | 0 |
| | | | 30 | 6 | 0 | | | | 30 | 6 | 0 |
| | | | | | | July 1 | By Balance . | ✓ | 30 | 6 | 0 |

*Dr.* **THE SUNLIGHT VARNISH CO.** *Cr.* (10)

| | | | £ | s. | d. | | | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1908. | | | | | | 1908. | | | | | |
| May 30 | To Cash . . | 63 | 5 | 2 | 6 | April 28 | By Goods . | 21 | 5 | 8 | 0 |
| „ 30 | „ Discount . | „ | | 5 | 6 | | | | | | |
| | | | 5 | 8 | 0 | | | | 5 | 8 | 0 |
| May 28 | To Returns . | 12 | | 3 | 0 | May 1 | By Goods . | 21 | | 3 | 0 |
| June 19 | „ Cash . . | 64 | | 18 | 0 | „ 21 | „ „ . | 22 | | 18 | 0 |
| | | | 1 | 1 | 0 | | | | 1 | 1 | 0 |
| June 30 | To Balance . | √ | 2 | 15 | 6 | June 22 | By Goods . | 22 | 2 | 15 | 6 |
| | | | | | | July 1 | By Balance . | √ | 2 | 15 | 6 |

*Dr.* **THE PAGE FITTINGS CO., LTD.** *Cr.* (11)

| | | | £ | s. | d. | | | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1908. | | | | | | 1908. | | | | | |
| June 27 | To Cash . | 64 | 6 | 17 | 9 | May 14 | By Goods . | 21 | 5 | 10 | 0 |
| „ 27 | „ Discount . | „ | | 7 | 3 | „ 26 | „ „ . | 22 | 1 | 15 | 0 |
| | | | 7 | 5 | 0 | | | | 7 | 5 | 0 |
| June 30 | To Balance . | √ | | 17 | 6 | June 8 | By Goods . | 22 | | 17 | 6 |
| | | | | | | July 1 | By Balance . | √ | | 17 | 6 |

*Dr.* **MARTIN BROTHERS.** *Cr.* (12)

| | | | £ | s. | d. | | | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1908. | | | | | | 1908. | | | | | |
| June 20 | To Returns . | 12 | 1 | 0 | 0 | June 14 | By Goods . | 22 | 8 | 19 | 6 |
| „ 21 | „ Cash . | 64 | 7 | 19 | 6 | | | | | | |
| | | | 8 | 19 | 6 | | | | 8 | 19 | 6 |

(24) **JOURNAL, 1908.** *Dr.* *Cr.*

| | | Fo. | Dr. £ | s. | d. | Cr. £ | s. | d. |
|---|---|---|---|---|---|---|---|---|
| | 1st April. | | | | | | | |
| | Suspense Account . . . . . . . . | 2 | 29 | 0 | 0 | | | |
| | Rent Account: fire insurance . . . | 5 | 1 | 0 | 0 | | | |
| | To Rent Account: rent . . . . . | 5 | | | | 25 | 0 | 0 |
| | " Trade Expenses: gas . . . . | 6 | | | | 5 | 0 | 0 |
| | (*Being sundry outstandings written back.*) | | | | | | | |
| | 30th June. | | | | | | | |
| | Rent Account: rent . . . . . . . . | 5 | 25 | 0 | 0 | | | |
| | Trade Expenses: gas . . . . . . . | 9 | 2 | 10 | 0 | | | |
| | To Rent Account: fire insurance . | 5 | | | | 4 | 0 | 0 |
| | " " : rates . . . . | 5 | | | | 6 | 15 | 0 |
| | " Suspense Account . . . . . . | 2 | | | | 16 | 15 | 0 |
| | (*Being sundry outstandings at this date.*) | | | | | | | |
| | Trading Account[1] . . . . . . . . | 4 | 366 | 12 | 0 | | | |
| | To Purchases Account . . . . . | 11 | | | | 366 | 12 | 0 |
| | Sales Account . . . . . . . . . . | 10 | 744 | 16 | 0 | | | |
| | To Trading Account . . . . . . . | 4 | | | | 744 | 16 | 0 |
| | Trading Account . . . . . . . . . | 4 | 247 | 19 | 1 | | | |
| | To Profit and Loss Account . . . | 13 | | | | 247 | 19 | 1 |
| | Profit and Loss Account . . . . . . | 13 | 133 | 1 | 7 | | | |
| | To Rent, etc., Account . . . . . | 5 | | | | 34 | 0 | 0 |
| | " Wages Account . . . . . . . | 7 | | | | 71 | 10 | 0 |
| | " Advertising Account . . . . . | 8 | | | | 4 | 15 | 0 |
| | " Trade Expenses Account . . . | 9 | | | | 17 | 17 | 6 |
| | " Discounts . . . . . . . . . . | 12 | | | | 4 | 19 | 1 |
| | Discounts Account . . . . . . . . | 12 | 13 | 5 | 3 | | | |
| | To Profit and Loss Account . . . | 13 | | | | 13 | 5 | 3 |
| | Profit and Loss Account . . . . . . | 13 | 128 | 2 | 9 | | | |
| | To Current Account . . . . . . . | 3 | | | | 128 | 2 | 9 |
| | (*Being closing entries.*) | | | | | | | |
| | | | 1691 | 6 | 8 | 1691 | 6 | 8 |

[1] The Trial Balance is taken out before this, and the subsequent entries are made.

## GENERAL LEDGER.

### BALANCE SHEET, 1st *April*, 1908.

| | *Liabilities.* | £ | s. | d. | £ | s. | d. | | *Assets.* | £ | s. | d. | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Capital Account . . . . . . | | | | 400 | 0 | 0 | 4 | Stock on Hand . . . . . | | | | 350 | 10 | 8 |
| | Creditors— | | | | | | | S.L. | Debtors, as per Sold Ledger . | | | | 94 | 10 | 0 |
| B.L. | As per Bought Ledger . . | 25 | 10 | 0 | | | | c61 | Cash:— | | | | | | |
| 2 | Suspense Account. . . . | 29 | 0 | 0 | | | | | At Bank . . . . . . . . | 20 | 0 | 0 | | | |
| | | | | | 54 | 10 | 0 | | In Hand . . . . . . . . | 2 | 10 | 6 | | | |
| 3 | Current Account . . . . . | | | | 13 | 1 | 2 | | | | | | 22 | 10 | 6 |
| | | | | | 467 | 11 | 2 | | | | | | 467 | 11 | 2 |

(1) *Dr.* CAPITAL ACCOUNT. *Cr.* (1)

| | | | £ | s. | d. | | | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | 1908. April 1 | By Balance . . . . . . . . | ✓ | 400 | 0 | 0 |

(2) *Dr.* SUSPENSE ACCOUNT. *Cr.* (2)

| | | | £ | s. | d. | | | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1908. April 1 | To Sundries | J24 | 29 | 0 | 0 | 1908. April 1 | By Balance | ✓ | 29 | 0 | 0 |
| | | | | | | June 30 | By Sundries | J24 | 16 | 15 | 0 |

(3) *Dr.* CURRENT ACCOUNT. *Cr.* (3)

| | | | £ | s. | d. | | | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1908. April 18 | To Cash | 61 | 7 | 0 | 0 | 1908. April 1 | By Balance | ✓ | 13 | 1 | 2 |
| „ 27 | „ „ | „ | 5 | 0 | 0 | June 30 | „ Profit and Loss Account (net profit) | J24 | 128 | 2 | 9 |
| May 21 | „ „ | 63 | 5 | 0 | 0 | | | | | | |
| June 6 | „ „ | „ | 10 | 0 | 0 | | | | | | |
| „ 29 | „ „ | 64 | 6 | 10 | 0 | | | | | | |
| „ 30 | „ Balance | ✓ | 107 | 13 | 11 | | | | | | |
| | | | 141 | 3 | 11 | | | | 141 | 3 | 11 |
| | | | | | | July 1 | By Balance | ✓ | 107 | 13 | 11 |

(4) *Dr.* TRADING ACCOUNT. *Cr.* (4)

| Date | Particulars | Fo. | £ | s. | d. | Date | Particulars | Fo. | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1908. | | | | | | 1908. | | | | | |
| April 1 | To Balance (stock on hand) . | √ | 350 | 10 | 8 | June 30 | By Sales . . . . . . . . | J24 | 744 | 16 | 0 |
| June 30 | „ Purchases. . . . . . . . | J24 | 366 | 12 | 0 | „ „ | „ Balance (stock in hand). . | √ | 220 | 5 | 9 |
| „ „ | „ Profit and Loss Account (gross profit). . . . . | „ | 247 | 19 | 1 | | | | | | |
| | | | 965 | 1 | 9 | | | | 965 | 1 | 9 |
| 1908. | | | | | | | | | | | |
| July 1 | To Balance (stock on hand) . | √ | 220 | 5 | 9 | | | | | | |

(5) *Dr.* RENT, RATES, TAXES, AND INSURANCE. *Cr.* (5)

| Date | Particulars | Fo. | £ | s. | d. | Date | Particulars | Fo. | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1908. | | | | | | 1908. | | | | | |
| April 1 | To Suspense Account: fire insurance. . . . . . . . | J24 | 1 | 0 | 0 | April 1 | By Suspense Account: rent . | J24 | 25 | 0 | 0 |
| „ 5 | „ Cash: rates . . . . . . . | 61 | 13 | 10 | 0 | June 30 | „ „ „ fire ins. | „ | 4 | 0 | 0 |
| „ 13 | „ „ water rate . . . . . | „ | 1 | 5 | 0 | „ „ | „ „ „ rates . | „ | 6 | 15 | 0 |
| „ 17 | „ „ rent . . . . . . . . | „ | 25 | 0 | 0 | „ „ | „ Profit and Loss Account . | „ | 34 | 0 | 0 |
| June 12 | „ „ fire insurance . . . | 64 | 4 | 0 | 0 | | | | | | |
| „ 30 | „ Suspense Account: rent . | J24 | 25 | 0 | 0 | | | | | | |
| | | | 69 | 15 | 0 | | | | 69 | 15 | 0 |

(6) *Dr.* TRADE EXPENSES. *Cr.* (6)

| | | | £ | s. | d. | | | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1908. April 3 | To Cash . . . . . . . . . . | 61 | | 1 | 0 | 1908. April 1 | By Suspense Account: gas . . | J24 | 5 | 0 | 0 |
| " 4 | " " . . . . . . . . . . | " | | 5 | 6 | | | | | | |
| " 6 | " " . . . . . . . . . . | " | 1 | 14 | 0 | | | | | | |
| " 12 | " " gas . . . . . . . . | " | 5 | 0 | 0 | | | | | | |
| " 16 | " " . . . . . . . . . . | " | | 4 | 0 | | | | | | |
| " 20 | " " repairs . . . . . . | " | | 14 | 0 | | | | | | |
| " 25 | " " . . . . . . . . . . | " | 2 | 0 | 0 | | | | | | |
| " 26 | " " . . . . . . . . . . | " | | 6 | 6 | | | | | | |
| May 1 | " " . . . . . . . . . . | 62 | | 6 | 0 | | | | | | |
| " 2 | " " . . . . . . . . . . | " | | 14 | 0 | | | | | | |
| " 4 | " " repairs . . . . . . | " | | 9 | 6 | | | | | | |
| " 7 | " " . . . . . . . . . . | " | | 15 | 0 | | | | | | |
| " 11 | " " . . . . . . . . . . | " | | 4 | 6 | | | | | | |
| " 14 | " " . . . . . . . . . . | " | | 7 | 6 | | | | | | |
| " 18 | " " . . . . . . . . . . | 63 | | 5 | 0 | | | | | | |
| " 23 | " " . . . . . . . . . . | " | | 2 | 9 | | | | | | |
| " 28 | " " . . . . . . . . . . | " | 2 | 0 | 0 | | | | | | |
| June 1 | " " . . . . . . . . . . | " | 2 | 10 | 0 | | | | | | |
| " 5 | " " . . . . . . . . . . | " | | 11 | 0 | | | | | | |
| | Forward[1] . . . | 9 | 18 | 10 | 3 | | Forward . . . . | 9 | 5 | 0 | 0 |

[1] This is an example of a Ledger Account being "carried forward" when the entries are too numerous to appear all on one page.

(7) *Dr.* WAGES. *Cr.* (7)

| 1908. | | | £ | s. | d. | 1908. | | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| April 7 | To Cash . . . . . . . . . . | 61 | 5 | 10 | 0 | June 30 | By Profit and Loss Account . | J24 | 71 | 10 | 0 |
| " 14 | " " . . . . . . . . . . | " | 5 | 10 | 0 | | | | | | |
| " 21 | " " . . . . . . . . . . | " | 5 | 10 | 0 | | | | | | |
| " 28 | " " . . . . . . . . . . | " | 5 | 10 | 0 | | | | | | |
| May 5 | " " . . . . . . . . . . | 62 | 5 | 10 | 0 | | | | | | |
| " 12 | " " . . . . . . . . . . | " | 5 | 10 | 0 | | | | | | |
| " 19 | " " . . . . . . . . . . | 63 | 5 | 10 | 0 | | | | | | |
| " 26 | " " . . . . . . . . . . | " | 5 | 10 | 0 | | | | | | |
| June 2 | " " . . . . . . . . . . | " | 5 | 10 | 0 | | | | | | |
| " 9 | " " . . . . . . . . . . | 64 | 5 | 10 | 0 | | | | | | |
| " 16 | " " . . . . . . . . . . | " | 5 | 10 | 0 | | | | | | |
| " 23 | " " . . . . . . . . . . | " | 5 | 10 | 0 | | | | | | |
| " 30 | " " . . . . . . . . . . | " | 5 | 10 | 0 | | | | | | |
| | | | 71 | 10 | 0 | | | | 71 | 10 | 0 |

(8) *Dr.* ADVERTISING. *Cr.* (8)

| | | | £ | s. | d. | | | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1908. May 9 | To Cash . . . . . . . . | 62 | 4 | 15 | 0 | 1908. June 30 | By Profit and Loss Account . | J24 | 4 | 15 | 0 |

(9) *Dr.* TRADE EXPENSES. *Cr.* (9)

| | | | £ | s. | d. | | | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1908. | Forward . . . . | 6 | 18 | 10 | 3 | 1908. | Forward . . . . | '6 | 5 | 0 | 0 |
| June 8 | To Cash: repairs . . . . . | 64 | | 4 | 6 | June 30 | By Profit and Loss Account . | J24 | 17 | 17 | 6 |
| " 11 | " " . . . . . . . . . . | " | | 4 | 6 | | | | | | |
| " 13 | " " . . . . . . . . . . | " | 1 | 0 | 0 | | | | | | |
| " 18 | " " . . . . . . . . . . | " | | 4 | 9 | | | | | | |
| " 26 | " " . . . . . . . . . . | " | | 3 | 6 | | | | | | |
| " 30 | " Suspense Account: gas . . | J24 | 2 | 10 | 0 | | | | | | |
| | | | 22 | 17 | 6 | | | | 22 | 17 | 6 |

(10) *Dr.* SALES ACCOUNT. *Cr.* (10)

| 1908. | | | £ | s. | d. | 1908. | | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| June 30 | To Returns | 16 | 2 | 4 | 3 | April 30 | By Cash | 62 | 92 | 1 | 2 |
| „ 30 | „ Trading Account | J24 | 744 | 16 | 0 | May 31 | „ „ | 63 | 97 | 18 | 8 |
| | | | | | | June 30 | „ „ | 64 | 93 | 17 | 0 |
| | | | | | | „ 30 | „ Sundries, as per Day Book[1] | 41 | 463 | 3 | 5 |
| | | | 747 | 0 | 3 | | | | 747 | 0 | 3 |

(11) *Dr.* PURCHASES ACCOUNT. *Cr.* (11)

| 1908. | | | £ | s. | d. | 1908. | | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| April 30 | To Cash | 62 | 2 | 0 | 0 | June 30 | By Returns | 12 | 4 | 3 | 0 |
| May 31 | „ „ | 63 | 3 | 0 | 0 | „ 30 | „ Trading Account | J24 | 366 | 12 | 0 |
| June 30 | „ Sundries, as per Bought Book[1] | 22 | 365 | 15 | 0 | | | | | | |
| | | | 370 | 15 | 0 | | | | 370 | 15 | 0 |

[1] Monthly, instead of quarterly, totals are usually employed.

(12) *Dr.* **DISCOUNTS ACCOUNT.** *Cr.* (12)

| Date | Particulars | Fo. | £ | s. | d. | Date | Particulars | Fo. | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1908. | | | | | | 1908. | | | | | |
| April 30 | To Sundries, as per Cash Book | 62 | 1 | 2 | 11 | April 30 | By Sundries, as per Cash Book | 62 | 1 | 2 | 3 |
| May 31 | " " " " | 63 | | 18 | 6 | May 31 | " " " " | 63 | 3 | 4 | 0 |
| June 30 | " " " " | 64 | 2 | 17 | 8 | June 30 | " " " " | 64 | 8 | 19 | 0 |
| " " | " Profit and Loss Account[1] . | J24 | 13 | 5 | 3 | " " | " Profit and Loss Account[1] . | J24 | 4 | 19 | 1 |
| | | | 18 | 4 | 4 | | | | 18 | 4 | 4 |

(13) *Dr.* **PROFIT AND LOSS ACCOUNT.** *Cr.* (13)

| Date | Particulars | Fo. | £ | s. | d. | Date | Particulars | Fo. | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1908. | | | | | | 1908. | | | | | |
| June 30 | To Rent, Rates, Taxes and Insurance . . . . . . . | J24 | 34 | 0 | 0 | June 30 | By Trading Account (gross profit) . . . . . . . | J24 | 247 | 19 | 1 |
| " " | " Wages . . . . . . . . . . | " | 71 | 10 | 0 | " " | " Discounts Received[1] . . | " | 13 | 5 | 3 |
| " " | " Advertising . . . . . . . . | " | 4 | 15 | 0 | | | | | | |
| " " | " Trade Expenses . . . . | " | 17 | 17 | 6 | | | | | | |
| " " | " Discounts Allowed[1] . . . | " | 4 | 19 | 1 | | | | | | |
| | | | 133 | 1 | 7 | | | | | | |
| " " | " Net Profit, transferred to Current Account . . . | J24 | 128 | 2 | 9 | | | | | | |
| | | | 261 | 4 | 4 | | | | 261 | 4 | 4 |

[1] The cross-totals are both transferred to Profit and Loss Account in order to observe the proper distinction between Discounts Received and Discounts Allowed.

## TRIAL BALANCE.

*30th June*, 1908.[1] *Dr.* *Cr.*

| | | £ | s. | d. | £ | s. | d. |
|---|---|---|---|---|---|---|---|
| 1 | Capital Account . . . . . . . . . . . . . | | | | 400 | 0 | 0 |
| 2 | Suspense Account . . . . . . . . . . . . | | | | 16 | 15 | 0 |
| 3 | Current Account . . . . . . . . . . . . . | 20 | 8 | 10 | | | |
| 4 | Trading Account (Stock on 1/4/08) . . . . | 350 | 10 | 8 | | | |
| 5 | Rent, Rates, Taxes, and Insurance . . . . | 34 | 0 | 0 | | | |
| 7 | Wages Account . . . . . . . . . . . . . | 71 | 10 | 0 | | | |
| 8 | Advertising Account . . . . . . . . . . . | 4 | 15 | 0 | | | |
| 9 | Trade Expenses Account . . . . . . . . . | 17 | 17 | 6 | | | |
| 10 | Sales Account . . . . . . . . . . . . . | | | | 744 | 16 | 0 |
| 11 | Purchases Account . . . . . . . . . . . | 366 | 12 | 0 | | | |
| 12 | Discounts Account . . . . . . . . . . . | 4 | 19 | 1 | 13 | 5 | 3 |
| c64 | Cash at Bank . . . . . . . . . . . . . | 214 | 0 | 9 | | | |
| „ | „ in Hand . . . . . . . . . . . . . | 7 | 13 | 7 | | | |
| S.L. | Sundry Debtors . . . . . . . . . . . . | 163 | 3 | 4 | | | |
| B.L. | Sundry Creditors . . . . . . . . . . . . | | | | 80 | 14 | 6 |
| | | 1255 | 10 | 9 | 1255 | 10 | 9 |
| | Stock on hand on 30/6/08 valued at . . . . | 220 | 5 | 9 | | | |

[1] The Trial Balance is of course not a Ledger Account. It is usually copied into the Journal as a permanent record of the position of affairs on the stated date.

## BALANCE SHEET.[1]

(14) *30th June*, 1908. (14)

| | Liabilities. | £ | s. | d. | £ | s. | d. | | Assets. | £ | s. | d. | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Capital Account | | | | 400 | 0 | 0 | 4 | Stock on Hand | | | | 220 | 5 | 9 |
| | Creditors: | | | | | | | S.L. | Debtors, as per Sold Ledger | | | | 163 | 3 | 4 |
| B.L. | As per Bought Ledger | 80 | 14 | 6 | | | | *c*64 | Cash: | | | | | | |
| 2 | Suspense Account | 16 | 15 | 0 | | | | | At Bank | 214 | 0 | 9 | | | |
| | | | | | 97 | 9 | 6 | | In Hand | 7 | 13 | 7 | | | |
| 3 | Current Account[2]: | | | | | | | | | | | | 221 | 14 | 4 |
| | Balance, 1st April, 1908 | 13 | 1 | 2 | | | | | | | | | | | |
| | Net Profit to date | 128 | 2 | 9 | | | | | | | | | | | |
| | | 141 | 3 | 11 | | | | | | | | | | | |
| | *Less* Drawings | 33 | 10 | 0 | | | | | | | | | | | |
| | | | | | 107 | 13 | 11 | | | | | | | | |
| | | | | | 605 | 3 | 5 | | | | | | 605 | 3 | 5 |

[1] The Balance Sheet, although not a Ledger Account, is usually written in the General (or Private) Ledger as a record.

[2] The detail here given is usually shown, so as to avoid the necessity of referring to the Ledger Account.

# APPENDIX A

## EXERCISES.

### EXERCISE I.

On the 1st October, 1908, H. Jones started business as an Auctioneer and Valuer, with a Capital of £1,000, which he paid into the Bank.

In the course of the ensuing quarter the following transactions occur:—(All payments made by cheque, and monies received paid into the Bank the same day.)

| | | | £ | s. | d. |
|---|---|---|---|---|---|
| Oct. | 1 | Paid for Fixtures and Furniture | 250 | 0 | 0 |
| ,, | 6 | ,, Salaries | 9 | 0 | 0 |
| ,, | 13 | ,, ,, | 12 | 10 | 0 |
| ,, | 20 | ,, ,, | 12 | 10 | 0 |
| ,, | 27 | ,, ,, | 12 | 10 | 0 |
| ,, | 31 | Received from Smith & Co. account for Stationery supplied | 10 | 10 | 0 |
| ,, | 31 | Paid Petty Cash Payments for October | 7 | 2 | 9 |
| Nov. | 3 | Paid Salaries | 12 | 10 | 0 |
| ,, | 8 | Forwarded account to R. Herbert, Fees for Valuation | 347 | 10 | 0 |
| ,, | 10 | Paid Salaries | 12 | 10 | 0 |
| ,, | 17 | ,, ,, | 12 | 10 | 0 |
| ,, | 19 | Received from R. Herbert, on account | 225 | 0 | 0 |
| ,, | 24 | Paid Salaries | 12 | 10 | 0 |
| ,, | 30 | Received Smith & Co.'s account for Stationery supplied | 8 | 0 | 0 |
| ,, | 30 | Paid Petty Cash Payments for November | 8 | 17 | 5 |
| Dec. | 1 | Paid Salaries | 12 | 10 | 0 |
| ,, | 8 | ,, ,, | 12 | 10 | 0 |
| ,, | 10 | Forwarded account to J. McArthur & Co., Commission earned | 17 | 5 | 9 |

| | | | £ | s. | d. |
|---|---|---|---|---|---|
| Dec. | 15 | Paid Salaries | 12 | 10 | 0 |
| „ | 22 | „ „ | 12 | 10 | 0 |
| „ | 25 | One quarter's rent of Office became due this day to H. Johnson | 75 | 0 | 0 |
| „ | 29 | Paid Salaries | 12 | 10 | 0 |
| „ | 31 | Paid Petty Cash Payments for December | 15 | 17 | 6 |
| „ | 31 | Proportion of Salaries due to date | 3 | 10 | 0 |

Write up Cash Book and Journal, recording the above transactions, post the same to Ledger, and take out Trial Balance as at 31st December, 1908.

## EXERCISE II.

Taking the Trial Balance prepared from Exercise I., make the necessary closing entries in the Journal, close the Ledger, prepare Profit and Loss Account for the three months, and Balance Sheet as at 31st December, 1908.

## EXERCISE III.

Taking the position of the affairs of H. Jones on the 31st December, 1908, as shown in Exercise II., write up the following transactions in Jones's books for the month of January, 1909, and prepare Trial Balance to 31st January, 1909 :—

| | | | £ | s. | d. |
|---|---|---|---|---|---|
| Jan. | 1 | Received Rents collected *re* Webb's Estate | 48 | 0 | 0 |
| ,, | 1 | Drew cheque for Petty Cash | 20 | 0 | 0 |
| ,, | 2 | Rendered A/c to Empire Insurance Co. for Commission due | 25 | 0 | 0 |
| ,, | 3 | Received Rents collected *re* Smith's Estate | 29 | 0 | 0 |
| ,, | 3 | Remitted Rents collected *re* Webb's Estate | 45 | 12 | 0 |
| | | Deducting commission on collection | 2 | 8 | 0 |
| ,, | 4 | Forwarded A/c to Miss Bertram, being fee for valuation | 5 | 5 | 0 |
| ,, | 5 | Paid Salaries | 12 | 10 | 0 |
| ,, | 6 | Received from Gen. Powell, being deposit on sale of property of J. Roberts | 500 | 0 | 0 |
| ,, | 6 | Charged J. Roberts Commission on aforesaid sale | 200 | 0 | 0 |
| ,, | 8 | Received from Sundry Persons in respect of Auction Sale No. 1, held this day | 172 | 16 | 0 |
| ,, | 8 | Received in respect of Rents collected *re* Smith's Estate | 37 | 10 | 0 |
| ,, | 9 | Paid H. Johnson rent due 25th December last | 75 | 0 | 0 |
| ,, | 9 | Commission earned in respect of Auction Sale No. 1 | 42 | 7 | 10 |
| ,, | 9 | Received from Sundry Persons, being balance of purchase money *re* Auction Sale No. 1 | 146 | 6 | 10 |
| ,, | 11 | Forwarded to White & Co. A/c for valuation | 7 | 7 | 0 |

| | | £ | s. | d. |
|---|---|---|---|---|
| Jan. 12 | Paid Salaries | 12 | 10 | 0 |
| ,, 12 | Paid to sundry vendors in respect of Auction Sale No. 1 | 102 | 6 | 0 |
| ,, 12 | Received from Empire Insurance Co. | 25 | 0 | 0 |
| ,, 14 | Paid sundry vendors in respect of Auction Sale No. 1 | 174 | 9 | 0 |
| ,, 16 | Received from Miss Bertram | 5 | 5 | 0 |
| ,, 17 | Forwarded remittance *re* Smith's Estate | 61 | 2 | 0 |
| | Being rents collected less commission | 3 | 6 | 6 |
| | Disbursements | 2 | 1 | 6 |
| ,, 19 | Paid Salaries | 12 | 10 | 0 |
| ,, 26 | do. do. | 12 | 10 | 0 |
| ,, 28 | Received from White & Co. | 7 | 7 | 0 |
| ,, 29 | Drew Cheque for Petty Cash | 20 | 0 | 0 |
| ,, 31 | Paid Smith & Co. their A/c of £18 10*s*., less discount £1 17*s*. | | | |
| ,, 31 | Received from sundry persons on account of Auction Sale No. 2 | 267 | 12 | 6 |
| ,, 31 | Charged Commission in respect of Auction Sale No. 2 | 13 | 7 | 8 |
| ,, 31 | Charged for expenses in respect of Auction Sale No. 2 | 13 | 16 | 1 |
| ,, 31 | Summary of Petty Cash Expenses for the month showed payments as follows :— | | | |
| | On account of clients | 16 | 0 | 4 |
| | ,, business expenses | 20 | 15 | 9 |
| ,, 31 | The outstanding Liabilities on this date were as follows :— | | | |
| | Salaries | 9 | 0 | 0 |
| | Business expenses | 14 | 1 | 10 |
| | Rent | 20 | 0 | 0 |
| ,, 31 | Write off Depreciation of Fixtures and Furniture | 1 | 11 | 3 |

## EXERCISE IV.

Taking the Trial Balance referred to in Exercise III., prepare closing Journal entries, close the Ledger, and take out the Balance Sheet of H. Jones, as on the 31st January, 1909.

## EXERCISE V.

On 1st January, 1908, Henry Jones, tea and coffee merchant, is possessed of—

| | |
|---|---|
| Freehold Premises | £500 |
| Furniture, etc. | 200 |
| Stock, Tea | 1,200 |
| ,, Coffee | 800 |
| Bills Receivable | 3,000 |

| | | |
|---|---|---|
| Sundry Debtors— | | |
| Hill | £200 | |
| Brown | 100 | |
| Benson | 150 | |
| Street | 250 | |
| Gray | 50 | |
| | | 750 |
| Cash at Bank | | 200 |
| His liabilities are— | | |
| Bills Payable | | 1,500 |
| Sundry Creditors— | | |
| Payne | £240 | |
| Lyons | 100 | |
| | | 340 |

William Smith joins him in partnership, bringing in £4,000, of which £1,000 is premium payable to Jones, but to remain in the business. All cash received is banked daily, and all payments are made by cheque.

The following transactions occur :—

| | | | |
|---|---|---|---|
| Jan. | 1 | Sold Brown coffee value | £100 |
| ,, | 2 | Drew on Benson for | 150 |
| ,, | 3 | Paid Bill Payable | 300 |
| ,, | 5 | Sold Street tea value | 200 |
| ,, | 6 | Bought tea from Payne value | 360 |
| ,, | 7 | Sold Hill tea value | 500 |
| ,, | 8 | Received from Gray | 49 |
| ,, | 8 | Allowed him discount | 1 |
| ,, | 10 | Paid Payne | 284 |
| ,, | 10 | He allowed discount | 6 |
| ,, | 10 | Paid General Expenses | 10 |
| ,, | 12 | Paid Bill Payable | 500 |
| ,, | 13 | Sold Gray coffee value | 200 |
| ,, | 14 | Retired Bill Payable for | 700 |
| ,, | 14 | Deducted as discount | 10 |
| ,, | 15 | Bought from Lyons coffee value | 800 |
| ,, | 17 | Accepted Bill drawn by Lyons for | 900 |
| ,, | 19 | Sold Benson tea value | 500 |
| ,, | 20 | Sold Gray coffee value | 300 |
| ,, | 21 | Received from Hill | 682 |
| ,, | 21 | Allowed him discount | 18 |
| ,, | 22 | Bill Receivable collected for | 750 |
| ,, | 22 | Bill Receivable accepted by Brown, dishonoured | 200 |
| ,, | 23 | Bought tea from Payne | 500 |
| ,, | 24 | Paid General Expenses | 15 |
| ,, | 27 | Brown accepted Bill for (including interest £10) | 410 |
| ,, | 27 | Sold Hill coffee value | 400 |
| ,, | 27 | Allowed Gray for short weight | 15 |

| | | | |
|---|---|---|---|
| Jan. | 28 | Paid Payne | £838 |
| ,, | 28 | He allowed discount | 22 |
| ,, | 28 | Purchased coffee from Lyons | 400 |
| ,, | 29 | Received from Street | 250 |
| ,, | 29 | Bill Receivable paid | 1,000 |
| ,, | 30 | Sold Street tea value | 500 |
| ,, | 31 | General Expenses outstanding | 80 |
| ,, | 31 | Stock of Tea valued at | 750 |
| ,, | 31 | Stock of Coffee valued at | 1,000 |
| ,, | 31 | Reserve for Doubtful Debts | 200 |
| ,, | 31 | Provide for depreciation of Furniture at 12% per annum. | |
| ,, | 31 | Allow interest on Partners' Capital at 6% per annum. | |

You are required to

(*a*) Make the necessary entries to open the books on January 1st, 1908.

(*b*) Write up Sales Book, Bought Book, Cash Book, Bills Receivable Book, Bills Payable Book, and Journal.

(*c*) Post the Ledger Accounts and take out Trial Balance on January 31st, 1908.

(*d*) Close the Ledger and prepare Balance Sheet, and Trading and Profit and Loss Accounts.

## EXERCISE VI.

| | £ | s. | d. | £ | s. | d. |
|---|---|---|---|---|---|---|
| On the 1st July, 1908, Smith and Jones each pay into the London and Provincial Bank the sum of | | | | 2,500 | 0 | 0 |
| The following purchases are made for shipment :— | | | | | | |
| From Manchester Spinning Co. | 1,567 | 18 | 0 | | | |
| ,, W. Jackson & Co. | 721 | 14 | 0 | | | |
| ,, Oldham Printing Works | 2,163 | 7 | 9 | | | |
| ,, R. Simpson | 1,875 | 15 | 2 | | | |
| ,, Williams & Son | 1,106 | 10 | 7 | | | |
| | | | | 7,435 | 5 | 6 |
| Smith went to India with these goods on 4th July, taking with him, from Bank, the sum of | | | | 2,000 | 0 | 0 |
| Jones remained in England to keep the books, etc. | | | | | | |
| The subsequent transactions, to be recorded by Jones, are as follows :— | | | | | | |
| July 7 Accepted Bills drawn by Manchester Spinning Co. at 2 months | 783 | 19 | 0 | | | |
| At 4 months | 783 | 19 | 0 | | | |
| | | | | 1,567 | 18 | 0 |

| | | | £ s. d. | £ s. d. |
|---|---|---|---|---|
| July | 9 | Paid Oldham Printing Works, Cheque for . . . . . . . . | 975 0 0 | |
| | | They allowed discount . . . . | 25 0 0 | |
| | | | | 1,000 0 0 |
| „ | 19 | Accepted Bill drawn by R. Simpson, at 3 months . . . . . . . . . . . . . | | 1,875 15 2 |
| „ | 31 | Drew Cheque for Office Expenses . . . . . | | 18 6 8 |
| Aug. | 1 | Paid W. Jackson & Co., cheque for . . . . . | | 721 14 0 |
| „ | 8 | Accepted Bill drawn by Oldham Printing Works, at 4 months . . . . . . . . . | | 1,163 7 9 |
| „ | 17 | Paid Williams & Son, cheque for . . . . . . | | 500 0 0 |
| „ | 31 | Drew cheque for Office Expenses . . . . . . | | 16 2 11 |
| Sept. | 1 | Accepted Williams & Son's Bill at 1 month for | | 606 10 7 |
| „ | 8 | Received, and paid into Bank, remittance from Smith for . . . . . . . . . . . . . . | | 2,000 0 0 |
| „ | 10 | Bill due this day, paid by Bank . . . . . . | | 783 19 0 |
| „ | 30 | Drew cheque for Office Expenses . . . . . . | | 12 1 8 |
| Oct. | 4 | Bill due this day, paid by Bank. . . . . . . | | 606 10 7 |
| „ | 15 | Received, and paid into Bank, remittance from Smith for . . . . . . . . . . . . . . | | 2,000 0 0 |
| „ | 22 | Bill due this day, paid by Bank . . . . . . | | 1,875 15 2 |
| „ | 31 | Drew cheque for Office Expenses . . . . . . | | 10 1 4 |
| Nov. | 10 | Bill due this day, paid by Bank . . . . . . | | 783 19 0 |
| „ | 15 | Received, and paid into Bank, remittance from Smith for . . . . . . . . . . . . . . | | 2,000 0 0 |
| „ | 20 | Paid this day, per Bank, due 11th Dec. | £1,160 0 0 | |
| | | Discount on same . . . . . | 3 7 9 | |
| | | | | 1,163 7 9 |
| „ | 30 | Drew cheque for Office Expenses . . . . . . | | 16 2 11 |
| Dec. | 7 | Smith returned this day, having sold the whole of his shipment and received payment for the same. | | |
| | | While away he had made the following payments out of the monies in his hands :— | £ s. d. | |
| | | Freight, etc. . . . . . . . | 768 10 0 | |
| | | Travelling Expenses . . . . | 127 2 8 | |
| | | Commission . . . . . . . | 96 1 2 | |
| | | Sundry Expenses . . . . . | 47 1 2 | |
| | | and now paid the balance remaining in his hands into the London & Provincial Bank. This balance (including the £2,000 withdrawn on the 4th July) amounted to . . . . . . | | 4,617 9 7 |

Prepare the necessary accounts, and show the amount due to each Partner—profits being divided equally.

## EXERCISE VII.

On 1st January, 1909, M. Self had Cash in Hand, £125; at Bank £875; Goods (cost price) £1,250; R. Spring owed him £150, he owed Summer & Co. £320.

His transactions during the month were as follows;—

| | | | | | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|
| Jan. | 5 | Sold V. Winter, Goods value | | | | 67 | 10 | 0 |
| „ | 6 | Bought of Summer & Co., Goods | | | | 240 | 0 | 0 |
| „ | 6 | Received from R. Spring, Cash | £144 | 0 | 0 | | | |
| | | Having allowed him as discount | 6 | 0 | 0 | | | |
| | | | | | | 150 | 0 | 0 |
| „ | 9 | Sold L. May, Goods | | | | 75 | 0 | 0 |
| „ | 9 | Paid into Bank, Cash | | | | 200 | 0 | 0 |
| „ | 11 | Sold R. Spring, Goods | | | | 84 | 0 | 0 |
| „ | 11 | Paid Summer & Co., by Cheque | £304 | 0 | 0 | | | |
| | | Having been allowed as discount | 16 | 0 | 0 | | | |
| | | | | | | 320 | 0 | 0 |
| „ | 14 | R. Spring paid into Bank | | | | 64 | 0 | 0 |
| „ | 16 | Sold L. May, Goods | | | | 97 | 10 | 0 |
| „ | 16 | Received from V. Winter, Cash | | | | 50 | 0 | 0 |
| „ | 18 | Sold Goods for Cheque and sent it to Bank | | | | 108 | 0 | 0 |
| „ | 18 | Received from L. May, Cash | £115 | 0 | 0 | | | |
| | | Having allowed him as discount | 5 | 0 | 0 | | | |
| | | | | | | 120 | 0 | 0 |
| „ | 24 | Bought Goods and paid by Cheque | £100 | 0 | 0 | | | |
| | | In Cash | 65 | 0 | 0 | | | |
| | | | | | | 165 | 0 | 0 |
| „ | 28 | V. Winter, being insolvent, paid for his debt a dividend of 12s. in the £ | | | | 10 | 10 | 0 |
| „ | 31 | Sold Goods for Cash during the month | | | | 187 | 10 | 0 |
| „ | 31 | Sent to Bank, Cash | | | | 300 | 0 | 0 |
| „ | 31 | Paid Rent of Warehouse, by Cheque | | | | 45 | 0 | 0 |
| „ | 31 | Paid Trade Expenses for the month in Cash | | | | 15 | 15 | 0 |
| „ | 31 | He has Goods unsold valued at | | | | 1,125 | 0 | 0 |

Write up the Cash Book, Bought Book, Sold Book, Journal, and Ledger. Extract the Trial Balance on 31st January and close the books.

## EXERCISE VIII.

The following is a Trial Balance of the books of A. L. & Co., as at 31st March, 1908. The Partners are A. L. and G. M., having respectively $\frac{3}{4}$ and $\frac{1}{4}$ shares of profits, subject to a charge of 5% for Interest on Partners' Capital.

*Trial Balance.*

| | £ | s. | d. | £ | s. | d. |
|---|---|---|---|---|---|---|
| Stock, 1st April, 1907 | 5,200 | 0 | 0 | | | |
| Purchases for year . | 27,000 | 0 | 0 | | | |
| Wages . . . . . . | 2,000 | 0 | 0 | | | |
| Salaries . . . . . . | 1,600 | 0 | 0 | | | |
| Sundry Debtors . . | 10,450 | 0 | 0 | | | |
| Sales for year . . . | | | | 37,800 | 0 | 0 |
| Rent . . . . . . . | 800 | 0 | 0 | | | |
| Cash Purchases . . | 950 | 0 | 0 | | | |
| Discounts . . . . . | 800 | 0 | 0 | | | |
| General Expenses . | 850 | 0 | 0 | | | |
| Sundry Creditors . . | | | | 4,080 | 0 | 0 |
| Bills Receivable . . | 3,070 | 0 | 0 | | | |
| Bank . . . . . . . | 2,150 | 0 | 0 | | | |
| Bills payable . . . | | | | 5,000 | 0 | 0 |
| Cash in Hand . . . | 10 | 0 | 0 | | | |
| A. L., Capital Account | | | | 6,000 | 0 | 0 |
| G. M., " " | | | | 2,000 | 0 | 0 |
| | £54,880 | 0 | 0 | £54,880 | 0 | 0 |

The Stock-on-Hand at close of year is £4,600. Provide £600 against Bad Debts, and £200 for General Expenses owing, and draw up (1) Trading Account, (2) Profit and Loss Account, (3) Balance Sheet, (4) Partners' Capital Accounts.

## EXERCISE IX.

J. Brown, trading alone, draws out a Trial Balance, as follows, on the 31st December, 1908 :—

*Trial Balance.*

| | | |
|---|---|---|
| J. Brown, Capital Account . . . . | | £4,807 |
| „ Drawings Account . . . | £1,041 | |
| Fixtures and Fittings . . . . . . | 35 | |
| Wages . . . . . . . . . . . . . | 450 | |
| Bills Receivable . . . . . . . . | 48 | |
| Reserve for Bad Debts. . . . . . | | 619 |
| Trade Expenses . . . . . . . . | 61 | |
| Stock-on-Hand, 31st Dec. 1908 . . . | 1,030 | |
| Rent . . . . . . . . . . . . | 135 | |
| Interest on Capital . . . . . . . | 117 | |
| Reserve for Discounts . . . . . . | | 42 |
| Sundry Debtors . . . . . . . . . | 2,735 | |
| „ Creditors . . . . . . . . | | 1,148 |
| Cash . . . . . . . . . . . . . | 2,891 | |
| Fire Insurance . . . . . . . . . | 8 | |
| Interest and Discount . . . . . . | 200 | |
| Gross Profit . . . . . . . . . . | | 2,147 |
| Depreciation . . . . . . . . . . | 12 | |
| | £8,763 | £8,763 |

Prepare Profit and Loss Account and Balance Sheet.

## EXERCISE X.

On 1st July, 1908, the position of James and Richard West was as disclosed by the following Balance Sheet :—

*Balance Sheet as at 1st July,* 1908.

| Liabilities. | | | Assets. | |
|---|---|---|---|---|
| Sundry Creditors . . | | £500 | Plant and Machinery . | £3,500 |
| Capital Accounts . . | | | Loose Plant and Tools . | 1,000 |
| James West . | £5,000 | | Stock on hand . . . . | 1,740 |
| Richard West | £5,000 | | Sundry Debtors . . . | 3,000 |
| | | 10,000 | Bills Receivable . . . | 250 |
| | | | Cash in hand . . . . | 10 |
| | | | Cash at Bank . . . . | 1,000 |
| | | £10,500 | | £10,500 |

**Details.**

| *Debtors.* | | *Sundry Creditors.* | |
| --- | --- | --- | --- |
| A. Mortar | £690 | Welsh Coal Co. | £90 |
| G. Stone | 725 | Staffs ,, | 100 |
| F. Haynes | 420 | S. Timmins | 120 |
| D. Deale | 340 | Legal Expenses | 32 |
| Western Brick Co., Ltd. | 580 | Rent due midsummer | 100 |
| H. Muddleton | 245 | Rates | 50 |
| | | Wages | 8 |
| | £3,000 | | £500 |

*Bills Receivable.*

| | |
| --- | --- |
| W. Smithson | £150 |
| T. Tomkins | 100 |
| | £250 |

Their transactions during July were—

| 1908. | | | £ |
| --- | --- | --- | --- |
| July | 1 | Received Cash on account from A. Mortar | 150 |
| ,, | 1 | Sold 18,000 best Bricks to H. Muddleton at 18/6 per 1,000. | |
| ,, | 2 | Paid Welsh Coal Co.'s account by cheque (no discount allowed). | |
| ,, | 2 | Bought of S. Timmins various small stores | 40 |
| ,, | 2 | J. & R. West drew £10 each. | |
| ,, | 3 | Sold 20,000 Seconds Bricks to F. Haynes at 12/6 | |
| ,, | 3 | H. Muddleton returned 500 bricks wrong quality, sent in error. | |
| ,, | 4 | Bought 100 tons Steam Coal from the Welsh Coal Co. at 13/3 per ton. | |
| ,, | 5 | Paid Wages | 45 |
| ,, | 5 | Sold 17,000 best Bricks to J. Jones for spot cash at 17/3 per 1,000. | |
| ,, | 6 | Paid Staffs. Coal Co.'s account by cheque (no discount allowed). | |
| ,, | 6 | Received cheque from G. Stone on account | 500 |
| ,, | 8 | Drew Petty Cash cheque | 20 |
| ,, | 8 | Bought 4 moulds from the Northern Machinery Co. at £4 10*s*. each. | |
| ,, | 9 | Sold 20,000 Seconds Bricks to G. Stone at 12/9 per 1,000. | |

| 1908. | | £ |
|---|---|---|
| July 9 | Renewed Smithson's Bill this day at three months, charging him interest £5, which he paid in cash. | |
| ,, 12 | Paid Wages . . . . . . . . . . . . . . . | 50 |
| ,, 13 | Received cheque from H. Muddleton for balance of his account, after allowing 2½% discount. | |
| ,, 15 | Sold to The Western Brick Co., Ltd., 100,000 best Bricks at 18/3 per 1,000. | |
| ,, 15 | Bought 100 tons coal from Staffs. Coal Co. at 9/6 per ton. | |
| ,, 16 | Paid S. Timmins balance of his account by cheque after deducting 5% discount. | |
| ,, 19 | Paid Wages . . . . . . . . . . . . . . . | 48 |
| ,, 20 | Received cheque from The Western Brick Co., Ltd. for £500 on account. | |
| ,, 20 | Paid rent due Midsummer by cheque. | |
| ,, 22 | Bought 200 tons steam coal from Welsh Coal Co. at 13/3 per ton. | |
| ,, 22 | T. Tomkins' acceptance duly met this day. | |
| ,, 23 | Drew on D. Deale at 1 month for balance of his account. | |
| ,, 24 | Sold to The eastern Brick Co., Ltd., 100,000 Seconds Bricks at 12/- per 1,000. | |
| ,, 24 | Received cheque from A. Mortar for balance of his account. | |
| ,, 26 | Paid Wages . . . . . . . . . . . . . . . | 49 |
| ,, 26 | J. & R. West drew £15 each. | |
| ,, 27 | Paid rates by cheque. | |
| ,, 29 | Received cheque from F. Haynes on account . . | 300 |
| ,, 29 | Bought 500 gallons of oil from Oilerine, Ltd., at 3/- per gallon. | |
| ,, 30 | Sold to A. Mortar 75,000 best Bricks at 18/6 per 1,000. | |

The following is the analysis of petty cash actually expended :—

| | £ | s. | d. |
|---|---|---|---|
| Travelling Expenses . . | 10 | 10 | 0 |
| Packing Materials . . . | 4 | 10 | 0 |
| Waste and Grease . . . | 3 | 0 | 0 |
| Small Repairs . . . . . . | 4 | 10 | 0 |
| Postages . . . . . . . | 2 | 0 | 0 |
| Stationery . . . . . . . | 1 | 10 | 0 |

(*a*) Make such entries in the books of account as the above transactions necessitate and extract Trial Balance as at July 31st, 1908.

Their transactions during August were—

| 1908. | | | £ | s. | d. |
|---|---|---|---|---|---|
| Aug. | 2 | Paid Wages | 51 | 0 | 0 |
| „ | 2 | Paid July Carriage account, G.W.R. | 192 | 0 | 0 |
| „ | 3 | Bought of the Northern Machinery Co. new cutting machine | 400 | 0 | 0 |
| „ | 5 | Sold to The Western Brick Co., Ltd., 150,000 best bricks at 18/3 per 1,000. | | | |
| „ | 7 | Accepted the Northern Machinery Co.'s draft for balance of their account at 3 months. | | | |
| „ | 9 | Paid Wages | 48 | 0 | 0 |
| „ | 10 | Received cheque from The Western Brick Co., Ltd., on account | 250 | 0 | 0 |
| „ | 12 | Bought 100 tons steam coal from the Welsh Coal Co., at 13/3 per ton. | | | |
| „ | 13 | J. & R. West drew £10 each. | | | |
| „ | 14 | Drew petty cash cheque | 25 | 0 | 0 |
| „ | 16 | Sold to F. Hayne 100,000 seconds Bricks at 12/6 per 1,000. | | | |
| „ | 16 | Paid Wages | 45 | 0 | 0 |
| „ | 19 | Paid Oilerine Co.'s account by cheque. | | | |
| „ | 21 | Bought of S. Timmins sundry tools | 20 | 0 | 0 |
| „ | 22 | Received cash from A. Mortar, less 2½%. | | | |
| „ | 23 | Paid Wages | 47 | 0 | 0 |
| „ | 24 | Received balance of account from G. Stone. | | | |
| „ | 26 | Sold G. Stone 300,000 best Bricks at 18/- per 1,000 | | | |
| „ | 26 | D. Deale's bill due this day paid | 340 | 0 | 0 |
| „ | 27 | Paid Welsh Coal Co.'s July account, less 5%. | | | |
| „ | 28 | Sold D. Deale odd lots of bricks | 17 | 10 | 0 |
| „ | 29 | Bought of Oilerine, Ltd., 100 gallons oil at 3/- per gallon. | | | |
| „ | 30 | Paid Wages | 46 | 0 | 0 |

The following is the analysis of petty cash actually expended :—

| | £ | s. | d. |
|---|---|---|---|
| Travelling Expenses | 12 | 15 | 0 |
| Packing Materials | 5 | 5 | 0 |
| Waste and Grease | 2 | 0 | 0 |
| Cartage | 5 | 0 | 0 |

(*b*) Make such entries in the books of account as the above transactions necessitate, and extract Trial Balance as at August 31st, 1908.

Their transactions during September were—

| 1908. | | | £ | s. | d. |
|---|---|---|---|---|---|
| Sept. | 1 | Bricks returned by D. Deale | 2 | 10 | 0 |
| „ | 2 | Paid August carriage account | 163 | 0 | 0 |
| „ | 3 | Received balance of Haynes' account. | | | |

| | | | £ | s. | d. |
|---|---|---|---|---|---|
| Sept. | 4 | Sold Haynes 500,000 seconds Bricks at 12/3 per 1,000, for which he accepted a bill at 3 months | | | |
| „ | 6 | Paid Wages | 51 | 0 | 0 |
| „ | 7 | Received cheque from Western Brick Co., Ltd., balance of account less 2½% discount. | | | |
| „ | 9 | Petty cash cheque | 15 | 0 | 0 |
| „ | 10 | Paid Staffordshire Coal Co.'s account (net). | | | |
| „ | 12 | Bought from Staffordshire Coal Co. 250 tons steam coal at 9/6 per ton. | | | |
| „ | 13 | Paid Wages | 52 | 0 | 0 |
| „ | 14 | J. & R. West drew £12 each. | | | |
| „ | 16 | Sold W. Smithson 100,000 best Bricks at 18/6 per 1,000. | | | |
| „ | 17 | Received from D. Deale balance of his account by cheque. | | | |
| „ | 17 | Paid S. Timmins balance of his account, less 5% discount. | | | |
| „ | 18 | Sold to H. Muddleton 200,000 best Bricks at 18/1½ per 1,000. | | | |
| „ | 18 | Paid Oilerine, Ltd., account. | | | |
| „ | 19 | Sold for cash 50,000 best Bricks at 18/- per 1,000 | | | |
| „ | 19 | Paid Welsh Coal Co.'s account. | | | |
| „ | 20 | Received from G. Stone on account | 150 | 0 | 0 |
| „ | 20 | Paid Wages | 50 | 0 | 0 |
| „ | 21 | Sold A. Mortar 150,000 seconds Bricks at 12/6 per 1,000. | | | |
| „ | 23 | Sold to Western Brick Co., Ltd., 250,000 best Bricks at 18/3 per 1,000. | | | |
| „ | 24 | Paid Briggs & Co., law costs of renewal of lease | 21 | 0 | 0 |
| „ | 25 | Received from G. Stone balance of account less 2½% discount. | | | |
| „ | 26 | Sold G. Stone 100,000 best Bricks at 18/6 per 1,000. | | | |
| „ | 27 | Paid Wages | 51 | 0 | 0 |
| „ | 28 | Received cash from W. Smithson less £2 10s. discount. | | | |
| „ | 28 | Received account from Northern Machinery Co., Ltd., for sundry repairs and renewals to machinery | 27 | 10 | 0 |

The following is the analysis of petty cash actually expended:—

| | £ | s. | d. |
|---|---|---|---|
| Travelling Expenses | 6 | 0 | 0 |
| Packing Materials | 2 | 0 | 0 |
| Small Repairs | 3 | 0 | 0 |
| Postages | 2 | 10 | 0 |
| Stationery | 1 | 10 | 0 |
| Cartage | 2 | 0 | 0 |

Stock at 30th September, 1908, amounted to £2,000.

(c) Make such entries in the books of account as the above transactions necessitate, and prepare a Trial Balance as at 30th September, 1908.

(d) Prepare Trading Account and Profit and Loss Account from 1st July to 30th September, 1908, and Balance Sheet as at 30th September, 1908, allowing Depreciation at rate of 5% per annum off Plant, and 7½% per annum off Loose Tools, and reserving for quarter's rent due September 29th, and £150 for Carriage Account.

(e) Close the books.

## EXERCISE XI.

On 1st January, 1908, A. sells to B. goods of the value of £100. On the same day, he draws upon B. at two months, and B. accepts and returns him the Bill on the following day. On January 5, A. discounts the Bill with his Bankers, who charge him £1 for the accommodation. At maturity the Bill is dishonoured.

You are required to show (a) the accounts in A.'s Ledger affected by these transactions; (b) Journal entries to enable the transactions to be properly recorded in the books of B.

## EXERCISE XII.

On January 1, 1908, A. purchases from B. goods worth £200. On January 2 he pays half his indebtedness by cheque, subject to a cash discount of 5 per cent.; and B. draws upon him at three months for the other half. On January 5, B. discounts the Bill with his Bankers, who charge him 30*s*. for the accommodation; and the Bill is duly met at maturity. Show the Ledger Accounts in the books of B. affected by these transactions, and prepare a Trial Balance proving the correctness of the double entry.

## EXERCISE XIII.

On the 1st June, 1908, A. purchased from B. goods to the value of £100. On the 15th June he accepted a Bill at three months drawn by B. for £97 10*s*., £2 10*s*. being allowed as cash discount. B. discounted the Bill with his Bankers on 1st July, 1908, they charging him £1 for the accommodation. On maturity the Bill was dishonoured. Show the entries necessary to record these transactions in the books of B.

## EXERCISE XIV.

W., who has been in business for some years, decided to keep his books by double entry, as from the 1st January, 1908. He ascertained that on that date his assets were as follows :—

| | |
|---|---|
| Cash at Bank . . . . . . . . . . . . . | £6,000 |
| Book Debts . . . . . . . . . . . . . . | 40,000 |
| (Estimated to be worth £36,500.) | |
| Stock-in-Trade . . . . . . . . . . . . | 12,000 |
| Plant and Machinery . . . . . . . . . | 10,000 |
| Business Premises . . . . . . . . . . | 9,000 |

His liabilities were as follows :—

| | |
|---|---|
| Trade Creditors . . . . . . . . . . . . | 24,000 |
| Bills Payable . . . . . . . . . . . . . | 7,000 |

You are required to show the Journal entries necessary to open W.'s new books on the date named.

## EXERCISE XV.

A. commenced business on the 1st October, 1908, by paying £2,000 into an account which he opened in the name of A. & Co., with the London and Westminster Bank. On the same day he purchased for £1,700 the business of B. as a going concern, and paid cash therefor. B.'s business comprised the following assets :—

| | |
|---|---|
| Leasehold premises, valued at. . . . . . . . | £400 |
| Stock in trade (cost £1,200) valued at . . . . | 1,000 |
| Sundry debtors . . . . . . . . . . . . . | 800 |

It was, however, agreed that A. should take over the trade liabilities of B., amounting to £500.

You are required to show (*a*) the Journal entries necessary to open new books for the business of A. & Co.; (*b*) the Balance Sheet of A. & Co. immediately after the completion of the purchase.

## EXERCISE XVI.

From the following Trial Balance for the year ended 31st December, 1908, prepare Trading and Profit and Loss Accounts and Balance Sheet.

| Dr. | *Trial Balance.* | | Cr. |
|---|---|---|---|
| Sundry Deb | £20,000 | Sundry Creditors | £6,500 |
| Drawings | 1,000 | Capital | 50,000 |
| Stock, 1st Jan , 1908 | 15,000 | Bills Payable | 5,000 |
| Cash at Bank | 2,000 | Sales | 100,000 |
| Cash in Hand | 20 | | |
| Plant and Machinery | 15,000 | | |
| Purchases | 80,000 | | |
| Trade Expenses | 1,260 | | |
| Rent | 800 | | |
| Salaries | 1,500 | | |
| Discounts | 920 | | |
| Freehold Premises | 24,000 | | |
| | £161,500 | | £161,500 |

The Stock on hand on 31st December, 1908, was £16,000. Provide for Depreciation of Plant and Machinery at $7\frac{1}{2}$ per cent.

## EXERCISE XVII.

From the following Trial Balance prepare Trading, Profit and Loss Accounts, and Balance Sheet :—

*Trial Balance, December 31st,* 1908.

| | | |
|---|---|---|
| Capital | | £11,900 |
| Sales | | 30,000 |
| Purchases | £20,000 | |
| Wages and Salaries | 2,000 | |
| Rent, Rates, and Taxes | 500 | |
| General Expenses | 600 | |
| Discounts | 300 | 400 |
| Carriage | 400 | |
| Bad Debts | 300 | |
| Travelling Expenses | 100 | |
| Commission | 600 | |
| Furniture and Fittings | 1,000 | |
| Business Premises | 3,000 | |
| Sundry Debtors | 8,000 | |
| ,, Creditors | | 4,000 |
| Cash in Hand | 3,000 | |
| Bills Receivable | 500 | |
| Stock-in-Trade, 1st January, 1908 | 6,000 | |
| | £46,300 | £46,300 |

The Stock on 31st December, 1908, was valued at £6,500.

## EXERCISE XVIII.

From the following particulars prepare a Consignment Account, showing the Profit or Loss on the enterprise :—

| | | | |
|---|---|---|---|
| 1908. | | | |
| Jan. | 1 | Consigned goods to A. Solomon . . . . | £1,000 |
| ,, | 1 | Paid freight and insurance . . . . . . | 50 |
| ,, | 15 | Received Account Sales from A. Solomon, showing he had sold half the goods for . | 670 |
| ,, | 16 | Received further Account Sales from A. Solomon for balance of goods . . . . | 530 |
| | | His Charges were as follows :— | |
| | | Sundry Expenses . . . . . . . | 30 |
| | | Commission . . . . . . . . . . | 50 |
| ,, | 18 | Received cheque from A. Solomon for amount due from him. | |

## EXERCISE XIX.

From the following Trial Balance of a Manufacturer for the year ended 31st December, 1908, prepare Trading and Profit and Loss Accounts and Balance Sheet :—

*Dr.* *Trial Balance, 31st December,* 1908. *Cr.*

| | | | |
|---|---|---|---|
| Sundry Debtors . . . | £10,000 | Sundry Creditors . . | £4,350 |
| Drawings . . . . . . | 750 | Capital . . . . . . . | 15,940 |
| Stock, 1st Jan., 1908 . | 12,000 | Bills Payable . . . . | 2,000 |
| Cash in Hand . . . | 30 | Discounts . . . . . . | 320 |
| Plant and Machinery . | 8,000 | Bank . . . . . . . . | 800 |
| Purchases . . . . . . | 50,000 | Sales . . . . . . . . | 70,000 |
| Wages . . . . . . . . | 10,000 | | |
| Salaries . . . . . . | 1,000 | | |
| Trade Expenses . . . | 830 | | |
| Bad Debts . . . . . | 300 | | |
| Rent . . . . . . . . | 500 | | |
| | £93,410 | | £93,410 |

£200 more bad debts have to be written off.
£50 Rent has been paid in advance.
Write off 7½ per cent. Depreciation from Plant and Machinery.
Stock at 31st December, 1908, was valued at £13,000.

## EXERCISE XX.

Brown and Jones are partners. Brown's Capital Account shows a Cr. Balance of £3,000, and Jones's Capital Account a Dr. Balance of £250. Their profits for the year 1908 amount to £1,000, before allowing for Interest on Capital, which is to be at the rate of 5 per cent. per annum. They had each drawn out £150 during the year. Brown is entitled to $\frac{3}{5}$ths of the profits and Jones to $\frac{2}{5}$ths. Complete the Profit and Loss Account and the Capital Accounts. No interest is charged on drawings, but interest is charged on Capital overdrawn.

# APPENDIX B

## MISCELLANEOUS QUESTIONS

*(For Purposes of Revision.)*

1. What is Bookkeeping?
2. What is a Transaction?
3. What is meant by Loss?
4. What is meant by Gain?
5. What is meant by Financial Position?
6. What is understood by Accounting?
7. How did the Need for Bookkeeping, or a System of Accounting, arise?
8. What is an Account?
9. What is the Meaning of Debtor and Creditor?
10. What is a Principal?
11. What is an Accounting Party?
12. Can Accounts be roughly divided into Classes?
13. What is an Account Current?
14. What is an Account Stated?
15. What is an Account Settled?
16. What are Personal Accounts?
17. What are Real Accounts?
18. What is meant by Property?
19. What is a Balance?
20. What are Nominal Accounts?
21. What is Single Entry Bookkeeping?
22. What is meant by Double Entry?
23. What is a Trial Balance?
24. What are Books of Account?
25. What are Books of First Entry?
26. What are the Objects of such Records?
27. What is a Journal?
28. What Errors are likely to be made in Books of First Entry, and what are their Effect?
29. What is a Cash Book?
30. Is such an Account a Complete Record of Transactions?
31. What is meant by Credit?

32. What is a Revenue Account?
33. What is Income?
34. What is Expenditure?
35. What are the Uses of a Ledger?
36. What are Different Classes of Accounts to be found therein?
37. From what Sources are they compiled?
38. Give some Examples of some Ledger Accounts and describe the Entries?
39. Why are Goods Sold debited to Customers?
40. Why are Goods Bought credited to Suppliers?
41. Why is Cash Received credited to the Senders?
42. Why is Cash paid debited to the Recipients?
43. How are the Totals of the Sales Day Book dealt with?
44. How are the Totals of the Bought Day Book dealt with?
45. How are Items of Expenses in the Cash Book dealt with?
46. How are Transactions between the Proprietor and the Business dealt with?
47. What is meant by Balancing the Books?
48. What are the Uses of a Trial Balance?
49. Is it an Infallible Guide to Error?
50. How is the Revenue Account built up from the Trial Balance?
51. What is meant by Working Expenditure?
52. What is meant by making Reserves?
53. What are Assets and Liabilities?
54. What is Capital?
55. What is a Profit and Loss Account?
56. What are Drawings?
57. What is meant by "Bringing Down" Balances?
58. What is a Current Account?
59. What is the Great Distinction between Personal Accounts and Nominal Accounts?
60. What are the Transactions which may be said to grow from Day to Day?
61. What is a Balance Sheet?
62. What are its Limitations?
63. What is meant by Insolvency?
64. Why are a Proprietor's Personal Belongings brought into a Statement of Affairs?
65. Why does Capital appear on the Liability Side of a Balance Sheet?
66. Is there any Difference in the Treatment of the Personal Account of the Proprietor when the Business belongs to a Partnership instead of to a Sole Trader?
67. What is the Distinction where the Business is owned by a Limited Company?
68. What does the Word "Capital" imply when used in connection with Limited Companies?

69. What classes of transactions are recorded on the Dr. and Cr. sides of a ledger respectively?

70. Why is every transaction recorded upon both sides of the Ledger?

71. What account should be debited, and what account credited, in order to record properly the following transactions:—

(*a*) Cash received from A.;
(*b*) Cash paid to B.;
(*c*) Professional services rendered to C.;
(*d*) Goods supplied on credit by D.;
(*e*) The fact that a quarter's rent has accrued due to E.;
(*f*) The fact that X., the proprietor of the business, has brought in additional capital?

72. When does an account show a debtor balance, and when a credit balance?

73. Upon what principle will you distinguish between those ledger balances that go to make up the Profit and Loss Account, and those that are included in the Balance Sheet?

74. If you found that the balance of the Cash Book on a given date did not agree with that shown by the Bank Pass Book on the same date, would you necessarily infer that either was incorrect? Give reasons.

75. Explain the nature and purpose of the journal. What are the advantages and disadvantages of employing several journals?

76. What is a memorandum book, and what are its uses?

77. What do you understand by "closing entries"? When are they made, and why?

78. How would you treat partners' drawings when balancing and closing up the books of a firm?

79. How are the profits of a business ascertained from a set of books kept by double entry, and what is done with the balance of profit when ascertained?

80. Why is it that some banks enter monies received by them on account of their customers on the debit side of the pass book, while others record them upon the credit side? On which side of the bank's ledger would such receipts be recorded?

81. The following account appears in the books of A. B.:—

*Dr.* C. D. *Cr.*

| | | £ | *s.* | *d.* | | | £ | *s.* | *d.* |
|---|---|---|---|---|---|---|---|---|---|
| 1907. | | | | | 1907. | | | | |
| Jan. 5 | To Goods . . | 6 | 1 | 8 | Jan. 1 | By Cash . | 20 | 0 | 0 |
| „ 12 | „ „ . . | 9 | 7 | 4 | „ 16 | „ Allowance | | 6 | 9 |
| „ 31 | „ Balance . | 4 | 17 | 9 | | | | | |
| | | £20 | 6 | 9 | | | £20 | 6 | 9 |
| | | | | | 1907. | | | | |
| | | | | | Feb. 1 | By Balance . | £4 | 17 | 9 |

You are required to state, in the form of a narration, in order of date, the events recorded by the above account.

82. Give an example of a Trading Account of an ordinary merchant's business showing a gross profit of 20 per cent. on sales amounting to £12,468 10*s*.

83. The Balance Sheet, Trading Account, and Profit and Loss Account of a business are placed before you. In which of these accounts would you look for the following information, and upon which side?—

(*a*) Stock-in-trade at the commencement of the period.
(*b*) Stock-in-trade at the end of the period.
(*c*) Sales for the period.
(*d*) Loss from bad debts.
(*e*) Reserve for discounts off customers' accounts.

84. What account shows the net profit for the current period?

The amount having been ascertained, upon what account does it eventually appear in the case of

(*a*) An individual trading alone,
(*b*) A partnership,
(*c*) A limited company?

85. Give the reason for any difference of treatment that there may be in each of these three cases.

86. Does the fact that the totals of a Trial Balance agree prove the accuracy of the accounts? If not, state exactly what it does prove, and mention three distinct classes of errors which may exist even although the books balance exactly.

87. A bookkeeper informs you that the Trial Balance which he has extracted from his Ledgers agrees, and that therefore the books must be correct. Do you agree with this conclusion? State your reasons.

88. What do you understand by the terms "Dr." and "Cr." appearing at the head of a Ledger Account? What classes of transactions are entered upon each side of the following accounts:—

(*a*) Bank;
(*b*) Profit and Loss;
(*c*) Capital?

89. A. brings to you his Balance Sheet, as follows:—

*Balance Sheet*, 31*st May*, 1906.

| Liabilities. | | Assets. | |
|---|---|---|---|
| Sundry Creditors . . . | £4,600 | Leasehold Premises, at cost . . . . . . . . | £400 |
| A., Capital Account . . | 200 | Stock-in-trade, at cost . | 2,000 |
| | | Sundry Debtors . . . | 2,300 |
| | | Cash at Bank . . . . | 100 |
| | £4,800 | | £4,800 |

It is necessary to ascertain whether or not A. is solvent on the 31st May, 1906. Assuming that the above Balance Sheet is in accordance with A.'s books, and is clerically accurate, can it be regarded as conclusive? If not, what further inquiries should be made with a view to ascertaining A.'s position?

90. What do you understand by "books of first entry"? Give the names of such books of first entry as you would expect to find kept by an ordinary trader, and state briefly the classes of transactions that would be recorded in each, and from what sources the information necessary to make the required entries would be obtained.

91. The following is the Trading Account of X., a Wine and Spirit Merchant:—

*Dr.* *Trading Account for the year ended* 30*th September*, 1906. *Cr.*

| | £ | *s.* | *d.* | | £ | *s.* | *d.* |
|---|---|---|---|---|---|---|---|
| To Stock, 1st Oct., 1905 . . . | 2,116 | 4 | 9 | By Sales . . . | 13,125 | 7 | 2 |
| „ Purchases . . | 12,921 | 5 | 0 | „ Stock, 30th Sept., 1905 . | 1,562 | 12 | 8 |
| | | | | „ Loss on Trading transferred to Profit and Loss Account . . . | 349 | 9 | 11 |
| | £15,037 | 9 | 9 | | £15,037 | 9 | 9 |

You are required to state how each of the above items is arrived at, and what general conclusions you draw from the above Account.

92. The partnership agreement between A. and B. provides that on the death of either partner, the survivor is forthwith to pay to the executors of the deceased the amount standing to his credit in the books of the partnership at the date of the last preceding Balance Sheet, plus interest thereon at 5%. State whether you consider this to be an equitable arrangement, giving your reasons, and state how the amount due under this agreement would be arrived at from the books of the partnership.

93. State as fully as you can what kinds of errors in accounting may occur, in a set of books kept by double entry, which the test of the Trial Balance will fail to disclose.

94. What entries would you make in the books of account, to record the fact that office furniture had depreciated in value?

95. If a business is insolvent, how would you expect to find that condition of affairs recorded in the books?

96. Why is it that a money value is attached to every bookkeeping entry, even to those which do not record the passing of money from one party to another?

97. The following Trial Balance has been extracted from the books of Abraham Smith, a wholesale trader :—

*Trial Balance, 31st December*, 1904.

| | | |
|---|---|---|
| Capital Account | | £10,000 |
| Trade Debtors | £4,600 | |
| Creditors | | 2,100 |
| Purchases | 26,500 | |
| Bad Debts | 1,300 | |
| Bank | 1,900 | |
| Repairs | 50 | |
| Stock, 1st January, 1904 | 4,000 | |
| Salaries | 3,000 | |
| Rent | 200 | |
| Sales | | 30,000 |
| Returns | 500 | |
| Discounts | 1,500 | |
| Office Expenses | 1,275 | |
| Bills Payable | | 2,900 |
| Auditors' Fees | 100 | |
| Insurance | 75 | |
| | £45,000 | £45,000 |

Bearing in mind that every entry in bookkeeping—and therefore every balance in a Ledger—has a definite meaning, you are required to state the exact meaning of each of the above items.

98. State some of the principal advantages that have been obtained by the elimination of the Journal as a book of first entry in connection with transactions relating to (*a*) Cash, (*b*) Goods, (*c*) Bills.

99. What is meant by "Double Entry," and how does it differ from "Single Entry"?

100. What information would you get from

(*a*) A Trading Account,
(*b*) A Profit and Loss Account,
(*c*) A Balance Sheet?

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THE END


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